

2014 REGISTRATION DOCUMENT



KAUFMAN  BROAD

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AUTORITÉ
DES MARCHÉS FINANCIERS

This Registration Document was filed with the Autorité des Marchés Financiers (AMF) on March 31, 2015, 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.



The Kaufman & Broad group profile

“For close to 50 years, we have built approximately 104,000 housing units and 550,990 sq.m of office and commercial space in France”

Kaufman & Broad was the first property developer to be listed on the *Premier Marché* of the Paris Stock Exchange in February 2000. Over the years, we have built up a strong 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. Kaufman & Broad's 2014 results are in line with the objectives announced at the beginning of the fiscal year with revenues very similar to those of 2013 and a slightly lower gross margin for the fiscal year as a whole. Throughout the year, the group continued to actively prepare for the future while at the same time pursuing the improvement of its financial structure. Kaufman & Broad's Commercial Property business rebounded compared to 2013 and the group's financial indicators remained strong. In terms of the outlook for 2015 and with a stable macro-economic and fiscal environment in which a certain number of factors should support the market for new housing, Kaufman & Broad's revenues and gross margin are expected to be comparable to those in 2014.

Highlights



2015 Agenda

April 15, 2015

Publication of first quarter
2015 results (after market close)

April 16, 2015

Shareholders' Meeting

April 16, 2015

Presentation of the
first quarter 2015 results

July 8, 2015

Publication of the first half
2015 results (after market close)

July 9, 2015

Presentation of the
first half 2015 results

September 30, 2015

Publication of the third quarter
2015 results (after market close)

October 1, 2015

Presentation of the third quarter
2015 results (conference call)

(this agenda may be subject to change)

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 end-2013

2014

Revenues: **+5.6%**

€1,083 million

Orders: **+9.1%**

5,871 housing units

Gross margin rate:

17.9%

Attributable net income:

€38.4 million

Net cash flow of

€2.1 million at end-2014

Increase in property
portfolio:

+18.5% vs. end-2013

+ 5.6%

Increase in revenues
compared to 2013

Message from the Chairman

Nordine Hachemi
Chairman and Chief Executive Officer

“Growing Housing Orders”

Kaufman & Broad's 2014 results are in line with the objectives announced at the beginning of the fiscal year. Throughout the year, the group continued to actively prepare for the future while at the same time pursuing the improvement of its financial structure.

In the Housing segment, as announced at the beginning of the year, the number of new program launches rose 15%, with a steady pace in the 4th quarter after a less robust first half.

The increase in orders throughout the fiscal year, both in volume and in value, shows the relevance of the product/price positioning of Kaufman & Broad's offer.

The ability to meet our customers' expectations is an essential factor in our growth outlook, not without the help of our continuously growing property portfolio.



The Commercial Property segment – an important lever of growth for the group – recorded in the fourth quarter the signature of a 23,000 sq.m Paris Rive Gauche Mixed Development Zone (ZAC) sale before completion. With the acquisition in late December 2014 of Concerto ED, a specialist in logistics development, Kaufman & Broad has been able to broaden its expertise as a generalist property developer.

At the same time, its financial structure has continued to improve with gross financial debt reduced by almost €90 million, and zero net debt at the fiscal year-end.

In terms of our outlook for 2015, the stabilization of the macroeconomic and fiscal environment is expected to result in revenues and a gross margin comparable to 2014.

On behalf of all the teams at Kaufman & Broad, thank you for your trust and support.

Nordine Hachemi
Chairman and Chief Executive Officer

Key figures and stock market



Stock market data

High: €26.80

Low: €18.57

Last traded price on
December 31, 2014: €23.90

Number of shares at
December 31, 2014: 21,584,658

Market capitalization at
December 31, 2014:
€515.9 million

Average trading volume (January 1
to December 31, 2014): €23,153

Stock data

Listing market – NYSE Euronext

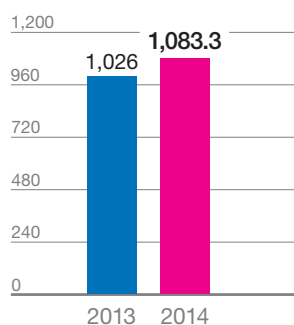
Compartment B Mid-caps

Indexes – CAC 40 and
CAC ALL TRADABLE

ISIN code FR 0004007813

Revenues

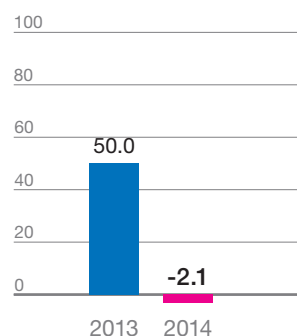
(in € millions)



Revenues totaled €1,083.3 million (excluding VAT) in 2014 versus 1,026.0 (excluding VAT) in 2013, i.e. a 5.6% increase.

Net Financial Debt

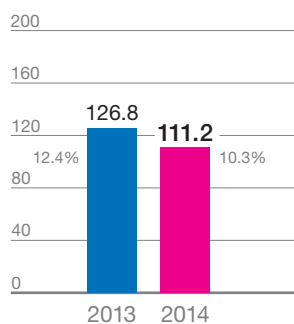
(in € millions)



Net financial debt was reduced by €52.1 million compared to November 30, 2013 and resulted in a net positive cash position of €2.1 million at November 30, 2014.

Working capital Requirement

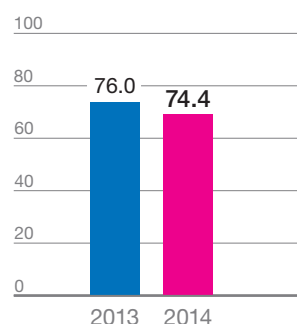
(in € millions and as a percentage of revenues)



Working Capital Requirements (WCR) totaled €111.2 million at November 30, 2014 (10.3% of revenues) versus €126.8 million at November 30, 2013 (12.4% of revenues).

Current operating income

(in € millions)



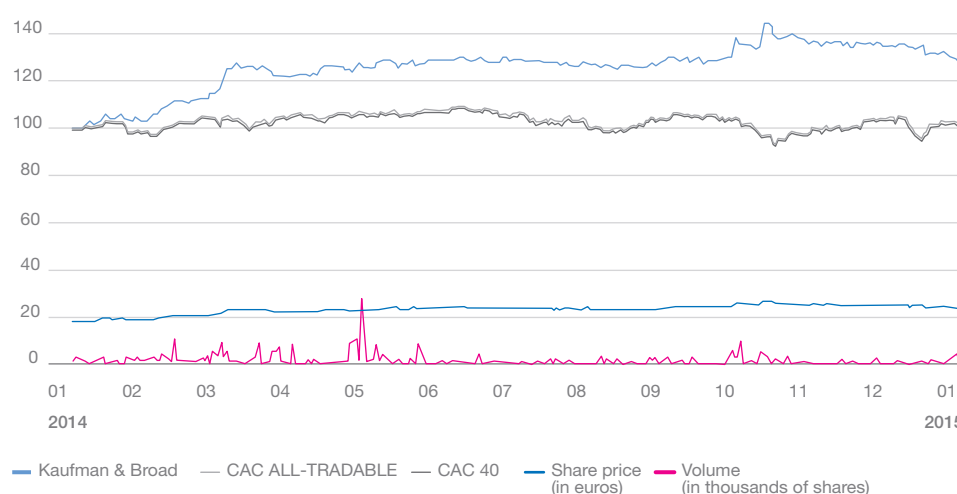
Current operating income totaled €74.4 million, a 2.1% decline compared to 2013. This decline can be attributed to a €2.5 million decrease in gross margin, offset by a €0.9 million reduction in operating expenses during the period.

Kaufman & Broad share price compared to the CAC 40 and CAC ALL-TRADABLE

€1,083 million

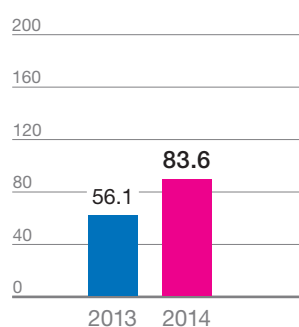
in total revenues
in 2014

(base 100 at January 2, 2014)



Free cash flow

(in € millions)

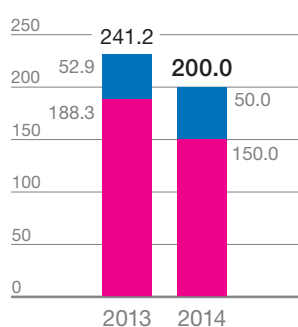


Free cash flow

totalled €83.6 million at November 30, 2014, up €27.5 million compared to end-2013.

Financial Capacity

(in € millions)



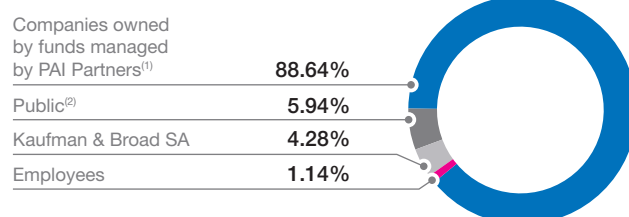
— Cash and cash equivalents
— RCF

Cash and cash equivalents

at November 30, 2014 totalled €150.0 million. The unutilized €50.0 million of the RCF line, added to cash and cash equivalents, bring the group's borrowing power at end-November 2014 to €200.0 million, versus €241.2 million at end-2013.

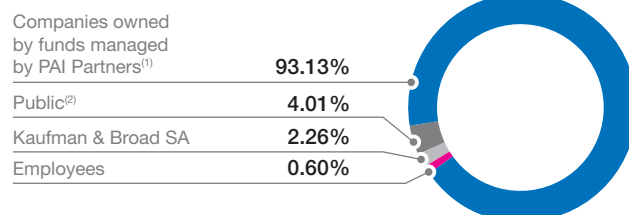
Breakdown of capital

(at November 30, 2014)



Voting rights

(at November 30, 2014)



(1) Financière Gaillon 8 represented 87.95% of the capital and 94.91% of the voting rights.
(2) Shares held by the directors are included under the heading "Public", in the shareholder structure at November 30, 2014.

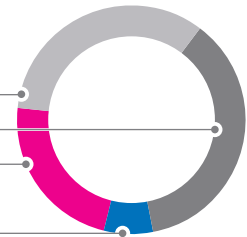
Activities



Orders by customer type⁽¹⁾

(based on November 30, 2014)

Block buyers	34%
Individual investors	37%
First-time homebuyers	23%
Second-time homebuyers	7%

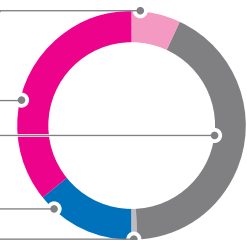


(1) Including joint-ventures.

Orders by apartment type

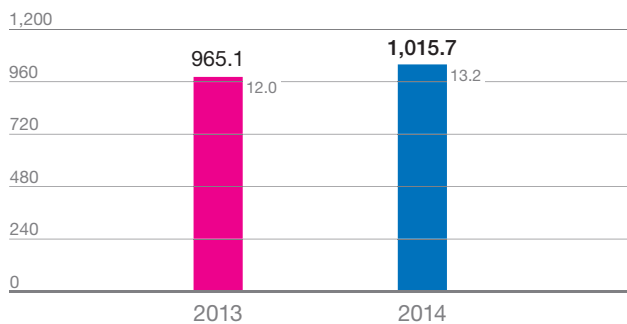
(based on November 30, 2014)

T1	7%
T2	36%
T3	42%
T4	14%
T5	1%



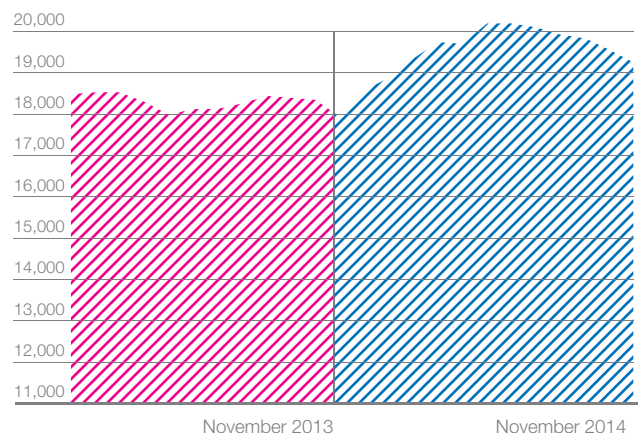
Housing backlog

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



Land reserve

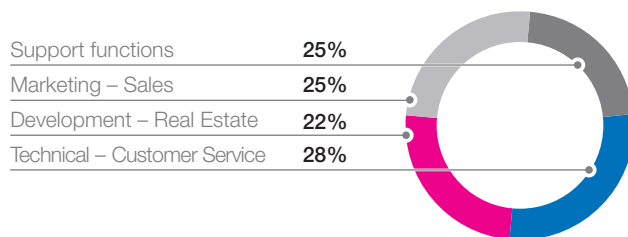
(in number of lots)



Employees

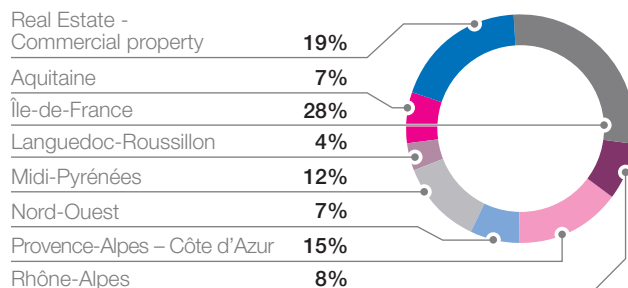
Average number of employees by function

(at December 31, 2014)



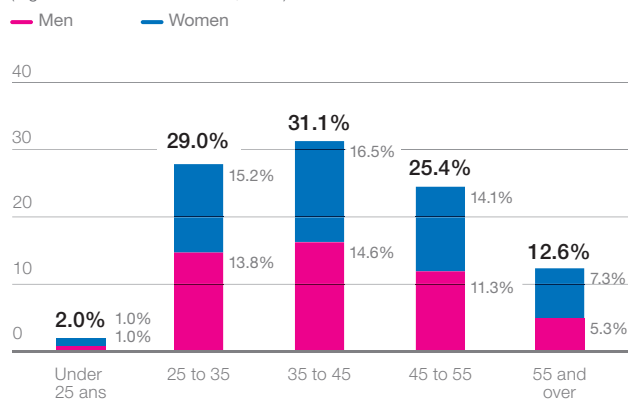
Average number of employees by region

(at December 31, 2014)



Age pyramid

(registered as at December 31, 2014)



(registered as at December 31, 2014)

717
Employees

387
Women (54%)

330
Men (46%)

18,023
Lots in land reserve

12,040
Lots under construction

6,890
Lots being market

5,871
Housing units ordered

6,354
Housing units in backlog

Corporate Governance

The main role of the Board of Directors is to determine the Company's business strategy and ensure that it is implemented. The Board carries out the controls and inspections it deems necessary and is responsible for reviewing and approving the annual and semi-annual (individual 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 ten members, including three independent members and a non-voting members, who bring a broad range of complementary skill sets and experiences:

Board of Directors

Chairman

Nordine Hachemi

Chairman and Chief Executive Officer

Independant directors

Sylvie Charles (SNCF Geodis)⁽¹⁾

Director

Yves Galland (The Boeing Company)⁽¹⁾

Director

Caroline Puechoultres (Karavel – Promovacances)⁽¹⁾

Director

Director

Alexandre Dejoie (PAI partners)

Director

Sophie Lombard (PAI partners)

Director

Joël Monribot

Director

Frédéric Stévenin (PAI partners)

Director

Olivier de Vregille (PAI partners)

Director

Lionel Zinsou (PAI partners)

Director

Non-voting member

Thierry Lefèvre (Crédit Agricole Corporate & Investment Bank)

Management

Nordine Hachemi

Chairman and Chief Executive Officer

William Truchy

Senior Vice President Major Regions

Jacques Rubio

Senior Vice President Southwest

Bruno Coche

Senior Vice President and Chief Financial Officer

Christian Delapierre

Senior Vice President Institutional Sales

David Laurent

Senior Vice President Commercial Property

Dominique Podesta

Senior Vice President Human Resources

Bertrand Saugnac

Head of Communication & Marketing Director

Operational Divisions

Paris/Île-de-France

Nordine Hachemi is in charge of management for the Île-de-France Region

Frédéric Bourg, Senior Vice President Île-de-France, Inner suburbs (75, 92 and 93)

Île-de-France

Cyril Doucet, Regional Director, Outer Paris suburbs (77, 78, 91, 94 and 95)

Marc Vettraino, Agency Director (77, 91 and 94)

West/North/Rhône Alpes/Southeast Region

William Truchy, Senior Vice President Major Regions

Nord Flandres

Olivier Hepp, Agency Director, Lille

Loire-Atlantique/Bretagne

Christophe Duretete, Regional Director, Nantes and Rennes

Rhône-Alpes/Méditerranée/Savoie

Marc Speisser, Senior Vice President Regions

Rhône-Alpes

François-Xavier Delfour, Agency Director, Lyon

Côte d'Azur/Provence

Stéphane Gress, Regional Director, Nice and Toulon

Midi-Pyrénées/Aquitaine/Languedoc-Roussillon Region

Jacques Rubio, Senior Vice President, Southwest

Languedoc-Roussillon

Béatrice Mortier, Agency Director, Montpellier

Pyrénées-Atlantiques

Denis Caniaux, Agency Director, Bayonne

Gironde

Georges Lopez, Agency Director, Bordeaux

Midi-Pyrénées

Tony Aringoli, Agency Director, Toulouse

Commercial Property

David Laurent, Senior Vice President Commercial Property

Thierry Bruneau, CEO Property Logistics

(1) Independent Directors as defined in the 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 accommodation, as well as Commercial Property in France.

Since its formation in 1968, Kaufman & Broad has built close to 104,000 housing units and 550,990 sq.m of office and commercial space in France.

Kaufman & Broad is one of the leading home builders (Single-family homes in communities and apartment units) in France. Historically, its principal market is Île-de-France. In 2014, this market represented 36.3% of the group's housing orders versus 46.1% in 2013.

Since its creation 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 is required for its growth;
- not to anticipate any significant increases in real estate sales prices when acquiring land, but instead to concentrate on the design and quality of its products;
- to review the financing plans of its customers to ensure that they are able to finance their purchases;
- to ensure compliance with the Ethics Charter which it prepared, which has been signed by all group employees and which governs the relations of the group 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 encourages preferential access to real estate;
- it generates long-term customer loyalty, since 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 ability to move into a home that is ready for immediate occupancy and that the customer has personalized thanks to a wide range of available options. With this in mind, Kaufman & Broad operates showrooms (or "Design Spaces") where customers can see, select and purchase the options offered as part of the group's real estate developments.

Finally, for several years the group has been 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 ultimately controlled by funds managed by PAI Partners ("PAI").

At November 30, 2014, Financière Gaillon 8 held 87.95% of Kaufman & Broad SA's capital and 94.91% of its voting rights.

The changes in PAI's interest is described in detail in Section 5.3.1. "Shareholders of the Company at November 30, 2014 and changes over three years".

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 equity investment activity in 1872. PAI manages and advises private equity investment funds with €7.9 billion in assets under management. Since 1994, PAI has conducted 54 buyouts in ten European countries, for a total of nearly €38 billion. PAI makes takeover investments through leveraged buyout ("LBO") transactions by acquiring majority stakes in European medium- and large-sized companies with a leadership position in their market. In particular, PAI specializes in transactions in excess of €300 million, with equity investments ranging from €100 million to €300 million, resulting in controlling equity ownership. It invests in five core sectors: Consumer Goods, Industrial Goods, Retail, Healthcare, and Corporate Services. PAI adopts an asset-driven approach to its investments and, to achieve this, it establishes partnerships with the companies' management teams, in order to create value by encouraging the application of strategic 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 contacts in industry and finance.

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 in-depth knowledge of local markets with large pan-European capabilities and horizons.

The risks associated with the PAI Partners group's control of the Company are described in Section 1.2.3.3. "Relations with the

Majority Shareholder", not forgetting that, for Corporate governance, the Company refers to the AFEP-MEDEF Code (see Sections 3.1.1.2.1. "Corporate Governance Code" *et seq.*).

The business activities of PAI are described 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
2014	Acquisition of Concerto Développement

1.1.1.2. Background

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

1.1.1.3. Acquisition strategy

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

In August 1997, Kaufman & Broad acquired from CDR the main assets (interests in thirteen real estate partnerships ("SCI") of Société de Missions et de Coordinations Immobilières (SMCI) and of CFP-SMCI, which construct apartments in the major French cities (Paris, Marseille, Lyon, Strasbourg, Rouen and Besançon), and the related liabilities. This acquisition was made for a total net amount of €2 million which took account of the take-over of both the assets and the liabilities.

In the second half of 1999, Kaufman & Broad acquired Park and its subsidiaries (SNC Park Promotion, SNC Park Rénovation and SCIs which owned individual apartment programs), a specialist in the construction of apartment units in Île-de-France, for a total amount of about €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. These four acquisitions illustrate the Company's acquisition policy to establish itself in new regional markets with high growth potential through the acquisition of existing experienced local entities. They 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 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 real estate developer with programs in Midi-Pyrénées and Gironde. The purchase price of these shares was €3.2 million and included a variable portion based on Euro Immobilier's actual earnings for the fiscal years 2003 to 2006. This variable portion 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 first of these acquisitions, of the Avantis group, was completed during the first half of 2004. The shares of this Company were acquired for €9.7 million euros, in May 2004 and it was taken over on March 1, 2004. Then, in June 2004, a Société de Développement et de Participation (Foncier Investissement – Malardeau) was acquired by the Kaufman & Broad group for €15.6 million.

In June 2005, Kaufman & Broad purchased 15 housing programs for €4.7 million. These programs had previously been developed under the Lotibat name in the region of Toulouse and were taken over 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 SMI, the regional real estate development company, for €5.1 million. This acquisition enabled the group to step up its operations in the Bretagne region with a property portfolio of more than 400 lots in 12 programs under management at the date of acquisition.

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.

In December 2014, Kaufman & Broad took over control of Concerto Développement, one of France's leaders in logistics development, from Affine, of which Concerto Développement was a subsidiary, for an amount of €4.4 million. Affine will remain a partner of Kaufman & Broad, as a minority affiliate, for projects to be developed until 2018.

1.1.2. Main characteristics of the business

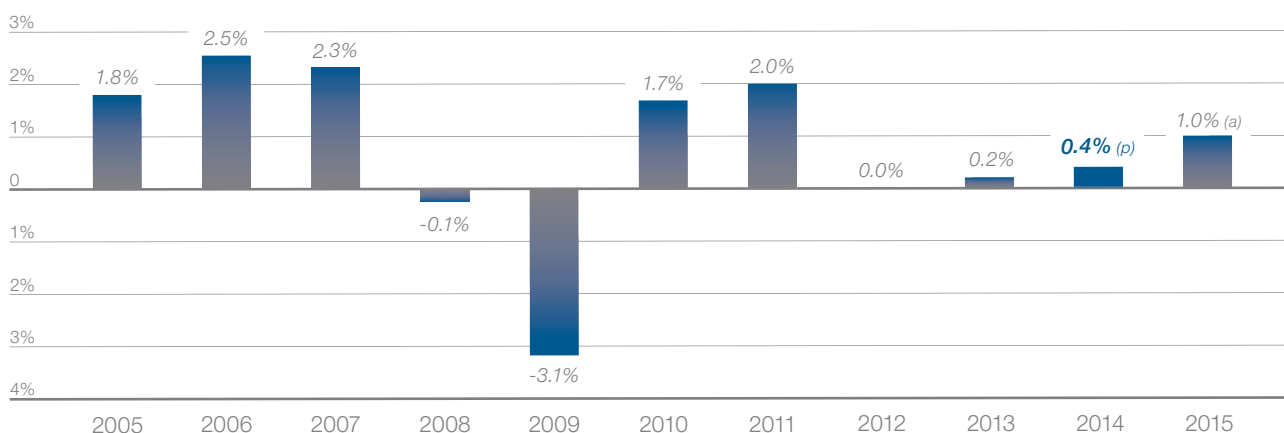
The market for new housing is influenced primarily by economic growth (GDP), unemployment rates, fluctuations in interest rates

and tax incentives, as well as the housing inventory available for sale.

1.1.2.1. Macroeconomic Indicators

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

French GDP Growth

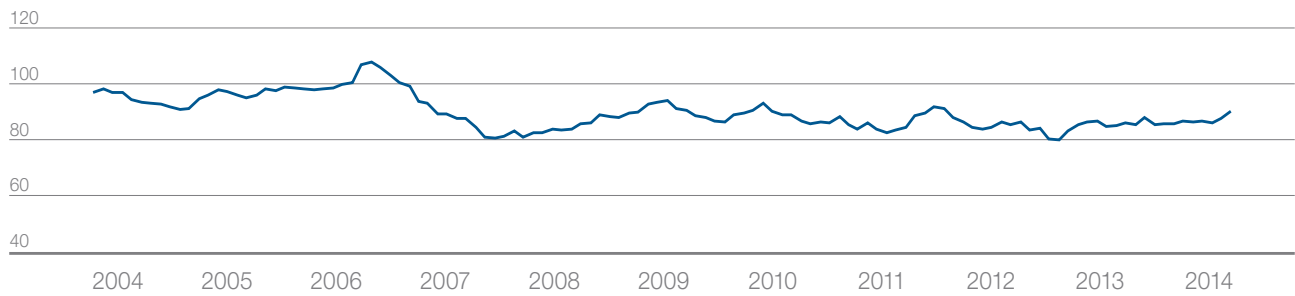


Source: INSEE.

(p) Provisional data.

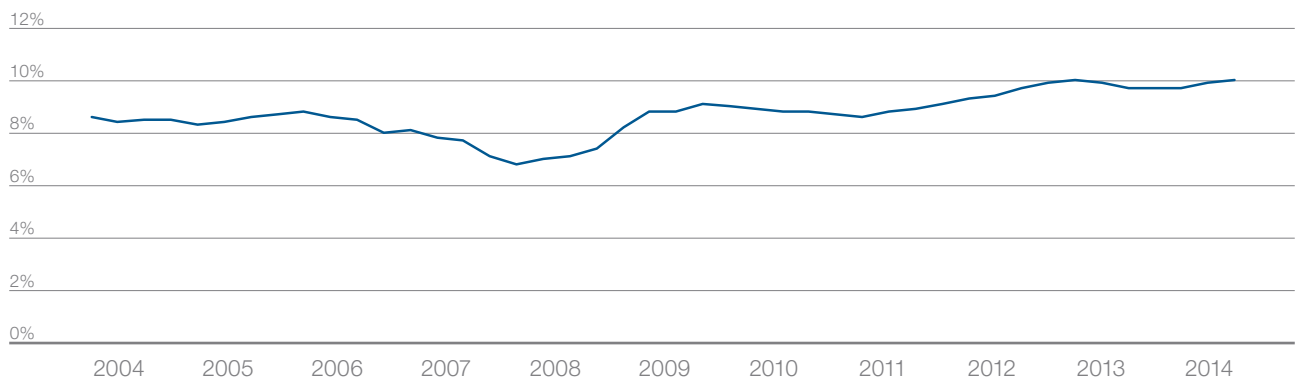
(a) IMF projection.

Consumer Confidence Index monthly trend



Source: INSEE.

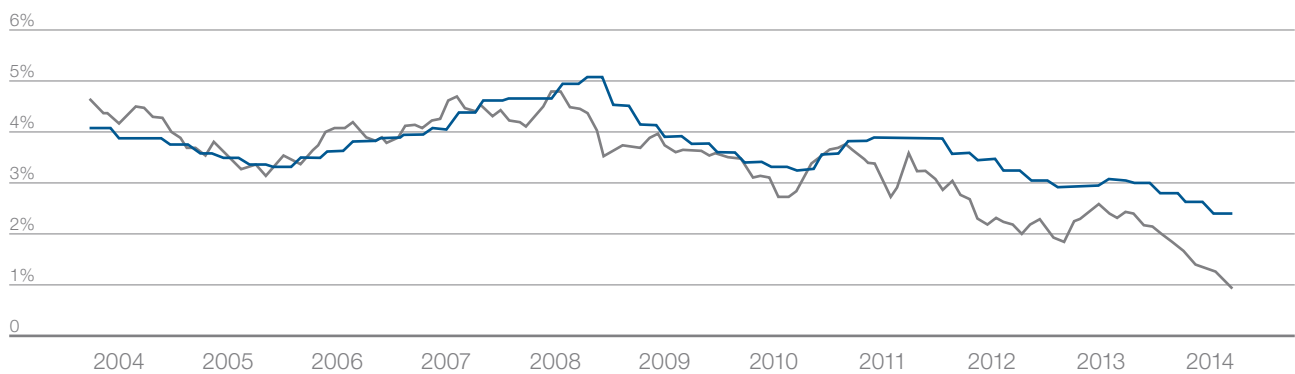
Unemployment in metropolitan France



Source: INSEE.

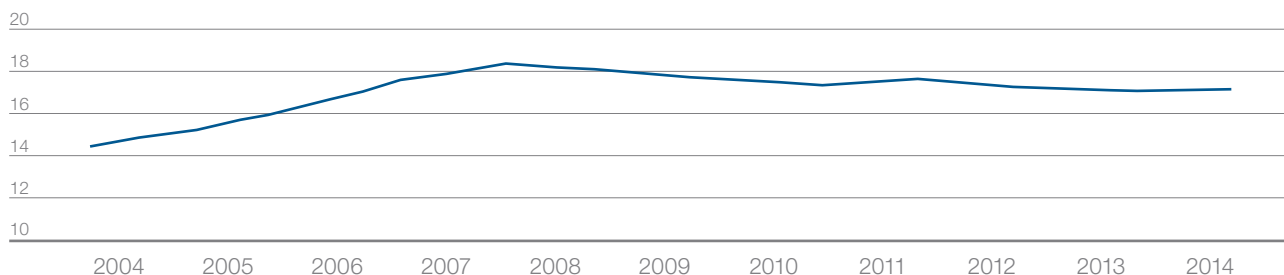
Housing property indicators

Average mortgage interest rates of real estate

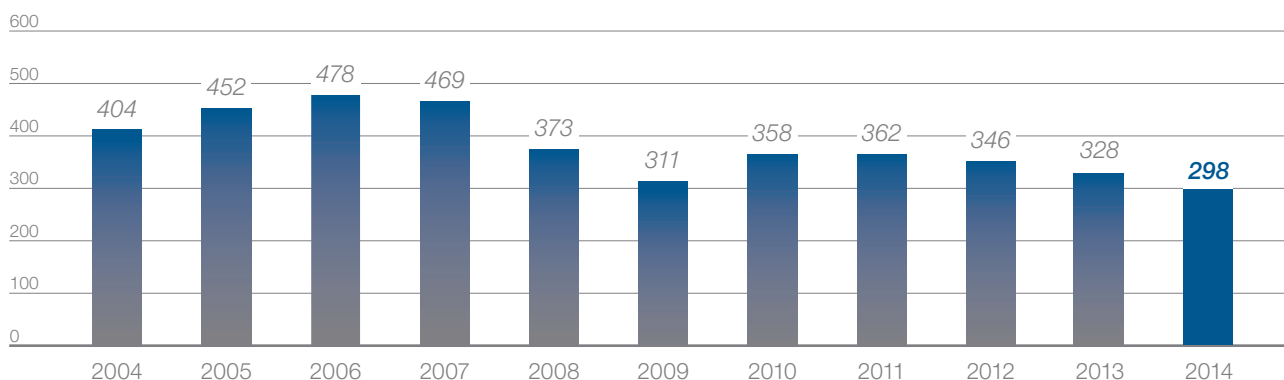


— Average mortgage interest rate — Government average interest rate
Source: Observatoire Crédit Logement.

Average mortgage duration of real estate (in years)



Source: Observatoire Crédit Logement.

Change in the number of housing starts in France (in thousands of units)^(a)

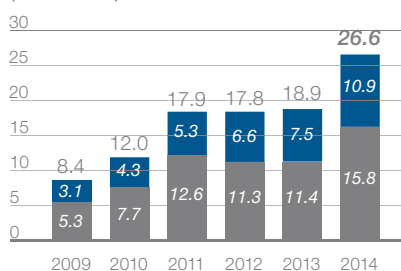
(a) Housing starts: pure individual housing, grouped individual housing, multi-family housing, living facilities (new construction and construction in existing buildings).
Source: French Ministry of Ecology, Sustainable Development and Energy, Sit@del2.

Housing starts (begun) in 2014 totaled 297,532 housing units, made up of new construction (266,544 housing units) and construction in existing buildings (30,988 housing units). They include pure individual housing units (91,818), Single-family homes in communities (34,985), multi-family units (147,057) as

well as apartments (23,672). The market for new housing, where Kaufman & Broad operates, comprises grouped individual homes, multi-family housing units and apartments, excluding construction in existing buildings (which is included in the data by type of housing described above).

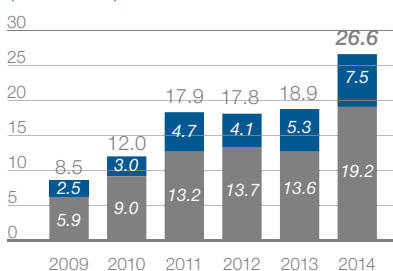
Commercial Property indicators

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



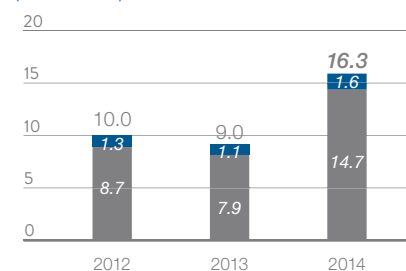
— Offices — Other
Source: BNP Real Estate.

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



— Île-de-France — Regions
Source: BNP Real Estate.

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



— Commercial Property excluding sales before completion (VEFA)
— Commercial Property sales before completion (VEFA)
Source: Jones Lang Lassalle & Crédit Foncier.

Kaufman & Broad's Commercial Property 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"). PAP loans were replaced in 1995 by zero-interest loans, which were revised in 2005, doubled in 2010 and replaced as of January 1, 2011 by the Zero-Interest Plus ("PTZ+") loan.

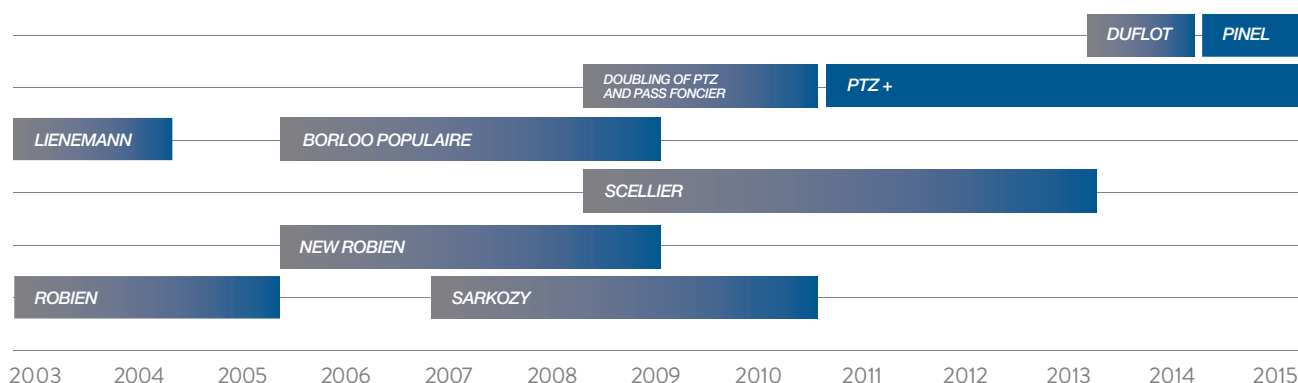
In December 2008, a new law, known as the Scellier Law, was passed, which gives individuals who acquire a new home or a home sold before completion between January 1, 2009 and March 31, 2013 to benefit from a reduction on their income tax, depending on various conditions, of 25% to 37% of the cost of the purchase, spreading over a period of 9 to 15 years. This incentive, which was extended until March 2013 for commitments to invest in real estate made in 2012, no longer exists and has

been full replaced by the Duflot incentives (see Section 1.1.2.2.2. "The Duflot incentive").

Created by the 2013 Budget Act, "The Duflot incentives" enables individuals, who acquire a new home or a home sold before completion (VEFA) between January 1, 2013 and December 31, 2016 and depending on various conditions, to benefit from a reduction in their income tax. The 2015 Budget Act made several adjustments in the latest incentives, known as "Pinel", aiming at reviving the construction of intermediate housing in sensitive areas (see section 1.1.2.2.2. "The Duflot incentive").

We consider that these tax incentives have had, and are expected to continue to have, a positive influence on the market for new housing, even though it is not possible to exactly quantify its 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. Changes in the Scellier incentives in 2013

The 2013 Budget Act made new adjustments to the previous incentives (adopted as part of Law 2008-1443 of December 30, 2008, known as the 2008 Supplementary Budget Act).

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 notary or with 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

An investment cap was introduced by the 2012 Budget Act. The cost price of the housing unit was limited to a price per square meter of living space set by decree according to the location of the housing unit. There was 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 were subject to this new cap.

Price caps per square meter were 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 were subject to a mandatory completion period of 30 months, starting from the beginning of construction, in order for the investment to be eligible for 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 term of the tenancy, 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 in accordance with the *Indice de Référence des Loyers* (the Rent Reference Index).

The applicable monthly rent ceilings per square meter excluding expenses were:

(€/sq.m/month)

Acquisition since
January 1, 2012

Monthly rent ceiling
per square meter

Zone	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 ^(a)	€6.14

(a) With approval.

1.1.2.2.2. The "Duflot" incentive (in effect until August 31, 2014)

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

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

The tax reduction under the Duflot incentives is taken into account when calculating the total tax allowance ceiling of €10,000 for income tax in 2013.

Terms and conditions of the tenancy

The tenancy 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 unfurnished for use as the tenant's primary residence.

The tenancy may not be entered into with a member of the taxpayer's household, an ascendant or descendant of the taxpayer.

The rent and the tenant's income assessed at the date of the lease must 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 sq.m

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

Completion period

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

Energy performance level

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

Housing 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).

The monthly rent ceilings, per sq.m excluding expenses, are as follows for leases signed in 2014:

Zones (€/sq.m/month)	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

These rent ceilings are then multiplied by a factor calculated using the following formula, where "S" is the floor area of the housing unit: $0.7 + 19/S$. The multiplication factor thus obtained is rounded up to two decimal places and may not exceed 1.2.

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 term of the tenancy, the monthly rent must be below the annual ceiling set by decree and based on the area where the housing is located and on the type of housing. This ceiling is raised on January 1 of each year in accordance with the Rent Reference Index.

Income ceiling

The tenant's income to be taken into account is the reference tax income shown in the tax assessment for the year prior to the year preceding the signing of the tenancy agreement. This ceiling is raised on January 1 of each year in accordance with the Rent Reference Index.

The annual ceilings on tenant income are as follows for leases signed in 2014:

Composition of tenant household

(in euros/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 "Pinel" incentive (in force from September 1, 2014)

The incentive under the "Duflot" Law (adopted pursuant to Law 2012-1509 of December 29, 2012, known as the 2013 Budget Act) has been renamed "Pinel" and recently underwent some adjustments (Law 2014-1654 of December 29, 2014, known as the 2015 Budget Act).

Accordingly, from January 1, 2013 to December 31, 2016, purchasers of new property are entitled to a tax reduction if they commit to renting the property unfurnished and for use as a primary residence.

For purchases made after September 1, 2014, the minimum term of the commitment remains 9 years. The tax reduction is set at 18% of the purchase price. The eligible investment amount is capped at €300,000 per taxpayer per year.

Currently, for purchases made after September 1, 2014, the minimum term of the commitment may be either 6 or 9 years. Accordingly the tax reduction is 12% for a 6-year commitment and 18% for a 9-year commitment. The eligible investment amount is capped at €300,000 per taxpayer per year and for a maximum of two properties per year.

When applying the incentive, no more than two purchases per tax year may be taken into account.

The tax reduction under the "Pinel" incentive is taken into account when calculating the total tax allowance ceiling of €10,000 for income tax in 2014.

Lastly, the home must now be completed within 30 months, no longer from the date of announcing the housing start, but from the date of signature of the notarized deed.

Terms and conditions of the tenancy

The tenancy must take effect within twelve months of completion of the building and be effective and continuous for a minimum of six or nine years. Once made, this choice is irrevocable.

An initial 6-year commitment may be extended for 3 years and this may be renewed once, i.e. for 6 additional years.

An initial 9-year commitment may be extended for 3 years and this may not be renewed.

The maximum term of the commitment to rent is therefore 12 years, whatever the term of the initial commitment.

The housing unit must be rented unfurnished for use as the tenant's primary residence.

Variation of the term of the tenancy and of the tax reduction rate

Where a taxpayer has signed a commitment for a 6-year term, the rate applicable upon a first 3-year extension is increased by 6%, i.e. 18%. With the second extension, the rate is increased 3%, i.e. 21%.

Where a taxpayer has signed a commitment for a 9-year term, the rate applicable upon a first 3-year extension is increased by 3%, i.e. 21%.

Term of initial commitment	Tax reduction rate
6 years	12%
First 3-year extension	6%
Second 3-year extension	3%
Maximum tax reduction	21%
9 years	18%
Three-year extension	3%
Maximum tax reduction	21%

Unlike the "Duflot" incentive, the tenancy may be entered into with a member of the taxpayer's household, an ascendant or descendant of the taxpayer for investments made on or after January 1, 2015, provided that the ceilings for the rent and tenant's income are respected.

The rent and the tenant's income assessed 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).

These adjustments apply to investments made on or after September 1, 2015.

Rent ceiling

Like the "Duflot" incentive, the housing units must be 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 term of the tenancy, the monthly rent must be below the annual ceiling set by decree and based on the area where the housing is located and on the type of housing. This ceiling is raised on January 1 of each year in accordance with the Rent Reference Index.

The monthly rent ceilings, per sq.m excluding expenses, are as follows for leases signed in 2015:

Zones (€/sq.m/month)	Monthly rent ceiling per square meter
A	€12.49
A <i>bis</i>	€16.82
B1	€10.06
B2	€8.74

These rent ceilings are then multiplied by a factor calculated using the following formula, where "S" is the floor area of the housing unit: $0.7 + 19/S$. The multiplication factor thus obtained is rounded up to two decimal places and may not exceed 1.2.

Income ceiling

The tenant's income to be taken into account is the reference tax income shown in the tax assessment for the year prior to the year preceding the signing of the tenancy agreement. This ceiling is raised on January 1 of each year in accordance with the Rent Reference Index.

The annual ceilings on tenant income are as follows for leases signed in 2015:

Composition of tenant household

(in euros/year)	Zone A	Zone A bis	Zone B1	Zone B2
Single person	€36,912	€36,912	€30,085	€27,076
Couple	€55,166	€55,166	€40,177	€36,158
Single person or couple with one dependent	€66,315	€72,318	€48,316	€43,484
Single person or couple with two dependents	€79,431	€86,342	€58,328	€52,495
Single person or couple with three dependents	€94,032	€102,729	€68,616	€61,755
Single person or couple with four dependents	€105,816	€115,598	€77,330	€69,596
Supplement for the fifth and each additional dependent	+€11,790	+€12,879	+€8,627	+€7,763

The "Pinel" incentive has the same requirements as the "Duflot" incentive in terms of price ceiling per sq.m, time limit for completing the housing units sold before completion and energy performance level.

1.1.2.2.4. 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, advanced by government-registered credit institutions, was created from the overhaul of "PTZ 2010" and the discontinuation of the "Pass-Foncier" and of the tax credit on loan interest, which ended 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 to be first-time homeowners if they did not own their primary residence during the two years preceding the loan offer.

The "PTZ+" loan is advanced to taxpayers subject to income requirements. The taxpayer's total income is therefore divided by a "household factor". The resulting sum must be lower than the ceiling set by decree based on the location of the housing unit. This ceiling may not exceed €36,000. Thus, a person whose income is less than €36,000 is not eligible for this incentive under any circumstances. In addition, the ceiling, set by the administrative authority, may not be less than €16,500. Consequently, a person whose income is below this threshold will be eligible as of right for this incentive. For people whose income is between €16,500 and €36,000, reference should be made to the ceiling set by decree for the relevant geographic area.

The "household factor" is determined on the basis of the number of people that will occupy the property as their primary residence:

Number of people	1	2	3	4	5 or more
Household factor	1.0	1.4	1.7	2.0	2.3

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 the geographic location.

The "PTZ+" incentive is extended for 3 years, i.e., until December 31, 2017.

1.1.2.2.5. Home ownership for low income households

1 - ANRU zones

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 committed to 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 perimeter of the ANRU

(urban renewal) zones eligible for a reduced VAT rate has been reduced from 500 to 300 meters. As from January 1, 2014 the VAT rate has now been lowered to 5.5% in ANRU zones and a 300-meter radius. In addition, for programs that were not completed at January 1, 2014 and are located in these same zones, the VAT rate has been lowered retroactively from 7% to 5.5%.

However, for programs located outside the 300-meter radius of an ANRU zone, the VAT rate has now been increased from 7% to 20%, except for programs located within the 300-500 meter radius for which a building permit was filed before December 31, 2013, the latter preserving the 7% rate. In order to benefit from this incentive, the following conditions must be met:

- districts eligible for this incentive are the disadvantaged urban areas (and neighborhoods exempted from Article 6 of Law No. 2003-710 of August 1, 2003) for which an urban renewal agreement was signed with ANRU (the National Urban Renewal Agency) or which are located within 500 meters of the boundary of these districts;
- the housing unit is intended to serve as a primary residence;
- the purchaser's income does not exceed the ceiling provided for in Article L. 441-1 of the Construction and Housing Code by more than 11%, it being specified that the conditions concerning income shall be calculated on the date of signature of the final

deed of sale, on the basis of taxable annual income from two years prior, which must be proven by production of the purchaser's tax assessment notice.

2 - New priority districts

The 2015 Budget Act (Law No. 2014-1654 of December 29, 2014, known as the 2015 Budget Act) introduced a reduced 5.5% VAT rate for deliveries of housing as part of a home ownership program for the purchase of a home used as a primary residence by people of modest means and located in the priority districts based on town and city policies. To be applicable, the incentive requires that the housing unit be located, at the time of

award of the building permit, either in a priority district based on town and city policies which have a contract with the city, or, located at a distance within 300 meters from these districts.

The districts were defined in the Urban planning and urban cohesion law of February 21, 2014, which came into force on January 1, 2015. To be eligible for this incentive individuals must meet certain income requirements.

Thus, the homebuyer's income may not exceed the maximum ceilings provided for in Article L 411-2 (8) of the Construction and Housing Code by more than 11%. Furthermore, the reduced rate only applies if the conditions concerning the sale price are met.

Finally, this incentive is applicable only for transactions for which a building permit request was filed on or after January 1. It applies until December 31, 2024.

1.1.2.3. New housing market indicators

1.1.2.3.1. Market volume

A. Single-family homes

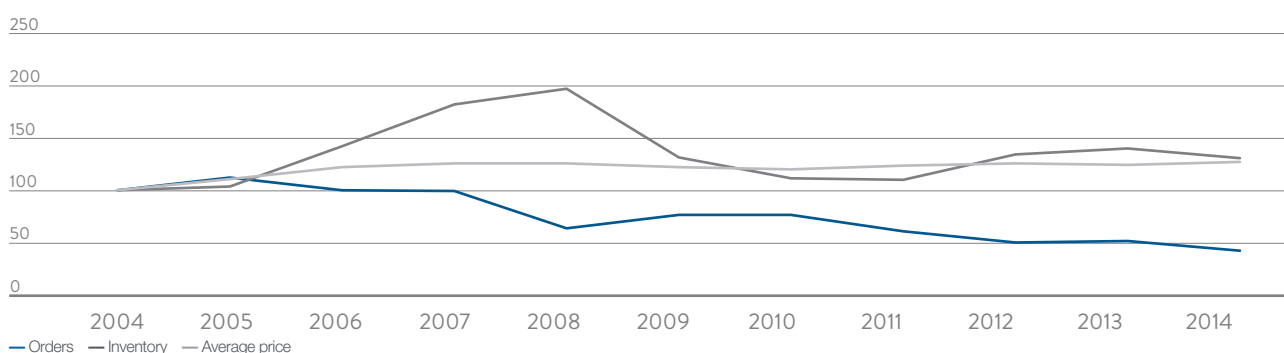
The French market for Single-family homes in communities represented 8,815 orders in 2013 and 7,263 orders in 2014.

Changes in orders, inventory and average price for Single-family homes in communities over the past ten years

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Orders	16,524	18,432	16,535	16,426	10,740	12,776	12,752	10,272	8,531	8,815	7,263
Inventories	7,919	8,181	11,134	14,201	15,362	10,341	8,770	8,651	10,550	10,983	10,261
Average price (in euros)	200,531	220,507	243,203	250,530	249,833	243,296	239,463	246,369	250,582	247,100	252,600

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 2004)



The table below shows the largest markets for single-family homes in France.

Orders	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Île-de-France	2,720	3,093	2,868	2,386	1,729	1,910	2,215	1,385	1,106	1,407	1,239
Rhône-Alpes	1,871	1,701	1,550	1,579	1,075	1,324	1,896	1,590	1,316	1,203	1,022
Provence Côte d'Azur	1,157	1,488	1,503	1,741	929	1,474	992	803	760	839	748
Languedoc-Roussillon	1,387	1,166	1,530	1,551	1,066	1,041	780	766	492	530	362
Midi-Pyrénées	1,023	955	847	1,253	610	594	496	499	636	582	666

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

B. Apartments

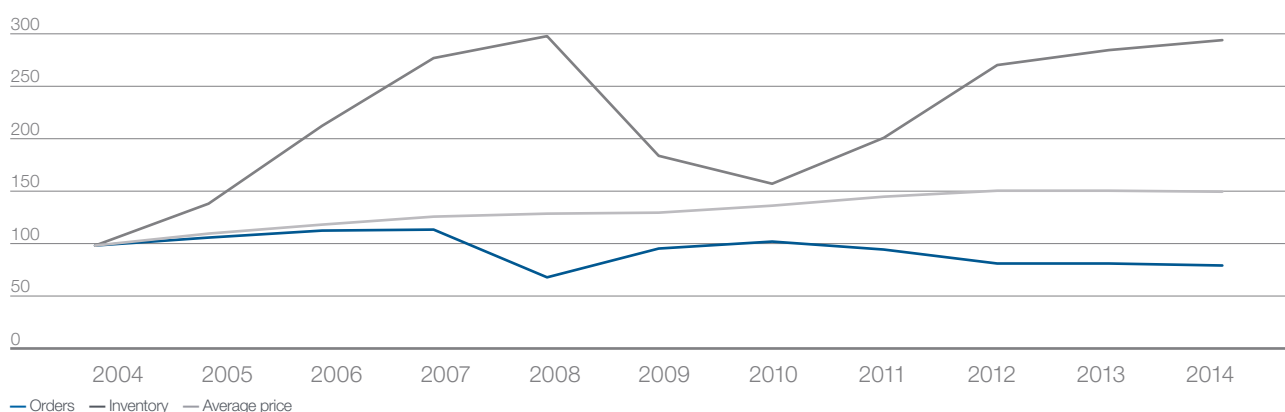
The French market for new apartments represented 80,498 orders in 2013 and 78,556 in 2014.

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

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Orders	95,667	102,991	109,429	110,539	67,780	93,495	100,041	92,229	80,373	80,498	78,556
Inventories	31,943	44,590	67,506	87,866	94,425	63,937	53,385	65,199	85,512	93,119	93,042
Average price in €/sq.m	2,563	2,850	3,071	3,273	3,345	3,352	3,529	3,749	3,874	3,877	3,860

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

The French Apartment Market (base 100 in 2004)



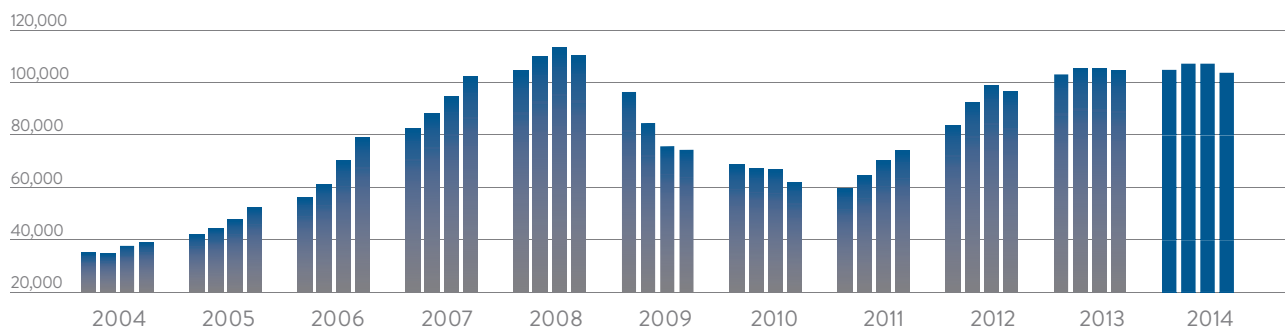
The table below shows the largest markets for apartments in France.

Orders	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Île-de-France	19,068	18,263	17,278	18,472	12,479	16,894	19,637	18,881	20,346	22,104	20,790
Rhône-Alpes	15,088	15,445	16,077	16,776	11,143	16,281	18,918	16,997	13,282	11,773	12,230
Provence Côte d'Azur	9,421	10,883	13,108	13,340	8,695	12,473	14,134	11,777	10,261	9,609	10,049
West ^(a)	10,869	12,062	13,336	11,980	7,788	10,749	12,498	10,306	7,692	7,392	7,042
Languedoc-Roussillon	5,184	6,852	7,569	7,642	5,253	6,984	6,947	6,815	4,729	4,531	4,786
Aquitaine	6,734	7,993	7,178	6,657	3,380	4,957	5,576	5,076	4,265	5,750	5,338
Midi-Pyrénées	7,508	7,529	8,622	7,351	4,096	4,331	4,743	4,896	4,382	4,467	4,214

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

(a) Combination of the 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.

The housing inventory available for sale totaled 103,300 units at December 31, 2014, i.e. a level that is virtually identical to that of the fourth quarter of 2013 (104,100 housing units). The level of housing inventory available for sale has been constantly increasing since the first quarter of 2011, when it had reached its highest level since 2008, with less than 60,000 units, versus close to 112,500 housing units in the second quarter of 2008 (the highest point in the last ten years). Finally, in the fourth quarter of 2014, the inventory of single-family homes was 10,261 units, versus 10,983 units in the fourth quarter of 2013.

The level of apartments remained unchanged, from 93,120 units in the fourth quarter of 2013 to 93,042 units in the fourth quarter of 2014.

1.1.2.4. Main 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, in particular, operate in the group's markets.

The following table shows the number of housing orders of the main competitors in the market for new housing in France:

Market operators	2014	2013	2012
Bouygues Immobilier ^(a)	11,776	10,963	10,516
Nexity ^(b)	10,365	10,121	10,191
Kaufman & Broad	5,871	5,379	5,487
Cogedim ^(d)	4,526	3,732	3,197
Icade ^(c)	3,849	3,533	4,295
Les Nouveaux Constructeurs ^(e)	1,600	1,874	1,872

Sources:

(a) Bouygues Immobilier: L'Abrégé 2014.

(b) Nexity: Press Release of February 17, 2015.

(c) Icade: 2014 annual results dated February 17, 2015.

(d) Cogedim: Press Release 2014 Results of March 4, 2015.

(e) Les Nouveaux Constructeurs: Press Release of February 5, 2015.

1.1.2.5. The group's market share

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

Market share	2014	2013
Grouped homes		
Île-de-France	4.2%	11.3%
Languedoc-Roussillon	0.3%	2.5%
Midi-Pyrénées	8.9%	16.5%
Aquitaine	3.5%	3.0%
Provence-Alpes-Côte d'Azur	1.1%	6.2%
Total grouped homes, France	2.5%	3.9%
Apartments		
Île-de-France	10.4%	10.5%
West ^(a)	4.8%	9.3%
Aquitaine	12.4%	7.4%
Languedoc-Roussillon	3.4%	3.8%
Midi-Pyrénées	10.0%	9.4%
Rhône-Alpes	2.0%	2.6%
Provence-Alpes-Côte d'Azur	8.0%	6.8%
Total Apartments, France	7.2%	6.2%
Total Housing Units, France	6.8%	6.0%

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

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

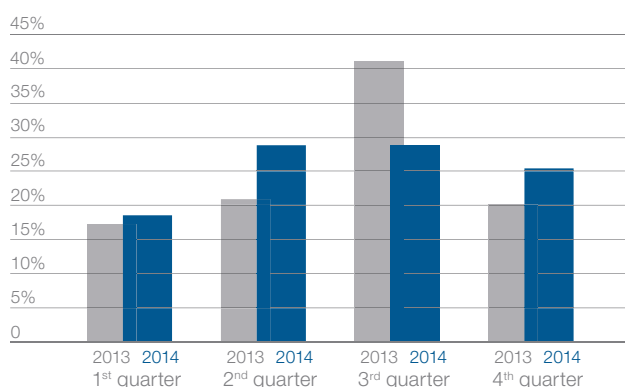
1.1.2.6. Seasonality and the business cycle

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. "Macroeconomic Indicators").

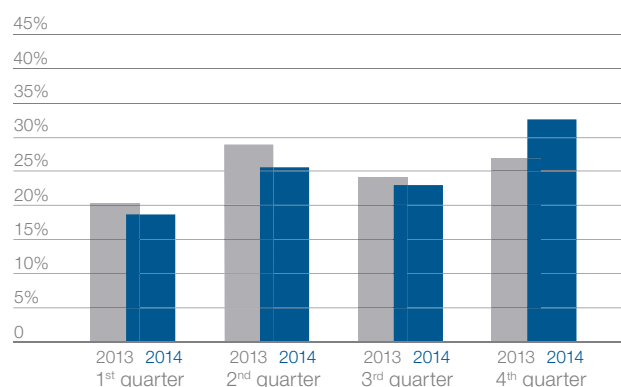
The following shows the group's sales activity, reflected in orders, during the last two fiscal years:

Orders by quarter

Single-family homes in communities



Apartments



1.1.3. Operational organization of the group

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

1.1.3.1. Operational structure of the group

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 branch divisions: the Île-de-France region (divided into three sectors), Loire-Atlantique/Bretagne, Lille-Flandres, Rhône-Alpes, Savoie/Grenoble, Côte d'Azur/Provence, Méditerranée (Bouches-du-Rhône), Languedoc-Roussillon, Midi-Pyrénées, Pyrénées-Atlantiques and Gironde. The management teams in each of these branches 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, implement development and construction activities and control costs. Each regional 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 (legal, management control, technical purchases, sales administration) and the group's central resources, namely the Corporate divisions of Finance, Information Technology, Legal, Tax, Marketing-Communication and Internet, and Human Resources.

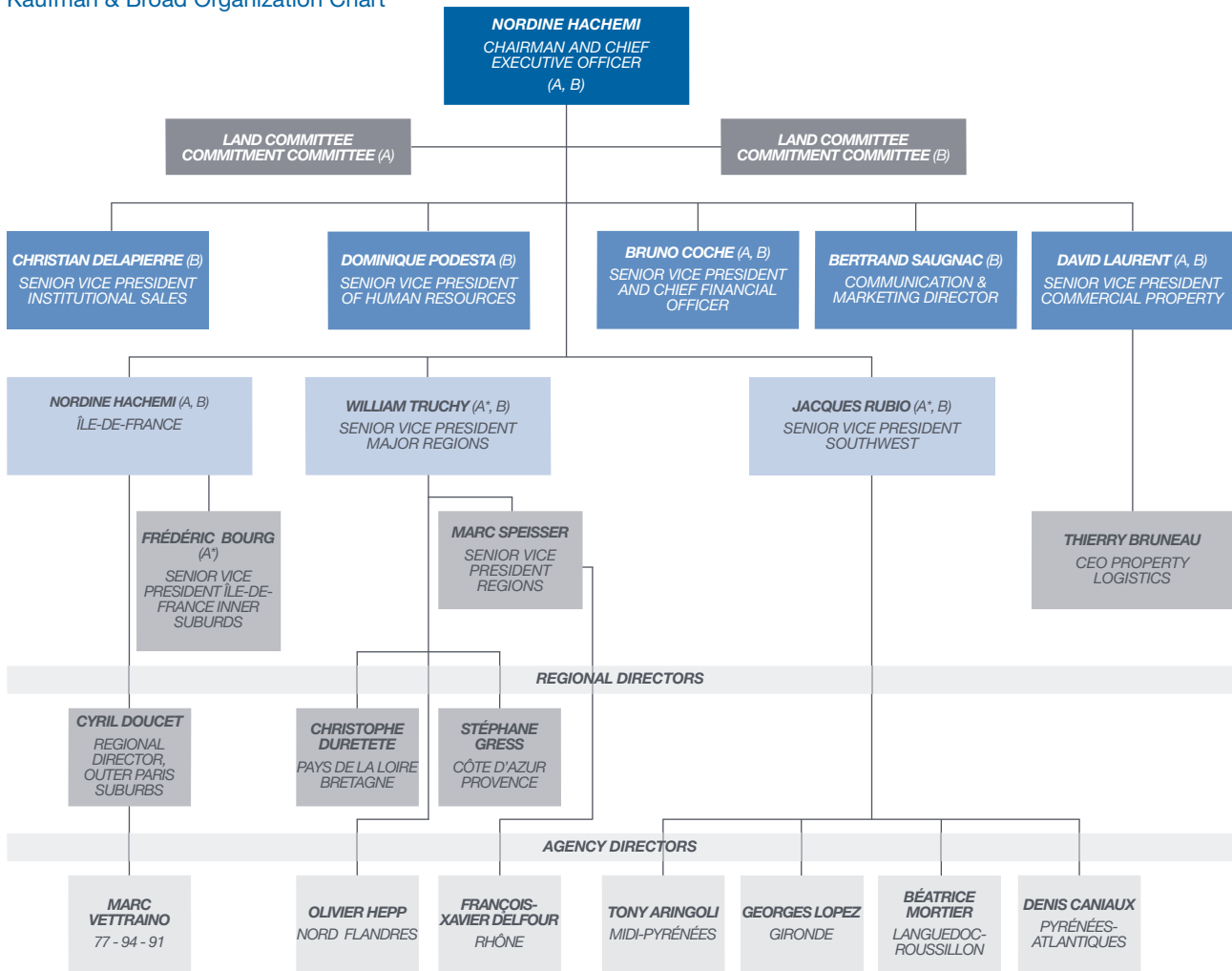
The Company provides its subsidiaries and regional divisions with various administrative and management services, and particularly consulting, in:

- 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.

With the exception of Corporate and IT costs, which are all re-charged to the subsidiaries using a distribution matrix fixed each year in the budget based on the business volume and the office space used by each subsidiary, the cost of the services listed above is divided among companies of the group through the Economic Interest Grouping ("GIE") based on 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 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 Gironde, SM2I and Kaufman & Broad Flandres) supply the real estate subsidiaries with services in development, management, sales and marketing, and technical assistance. As consideration for these services rendered, the companies providing them receive fees in accordance with signed agreements. These agreements generally provide for compensation: of 4.8% (excluding VAT) of post-tax revenues for management, administrative, legal, financial and accounting services; of 5.5% (excluding VAT) of post-tax revenues for marketing and use of the brand; and of 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

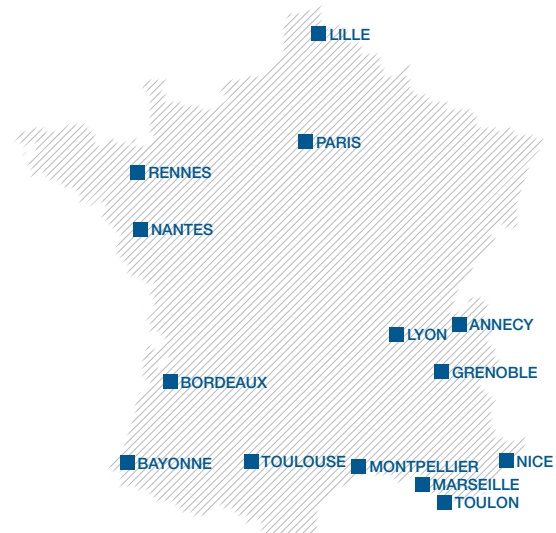
Kaufman & Broad's policy is to conduct business in geographic areas with strong potential for economic and demographic growth in the medium and long term. This objective has prompted the group to focus its business in order to increase its market share in the most dynamic regions. In 2014, Île-de-France accounted for 44.2% of the group's revenues from housing 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 where 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 currently has low home ownership compared to other European countries, ranking 4th in terms of households which rent (35.7% of households in France are tenants, versus 30.0% on average for the European Union). In addition, the country is experiencing a housing shortage. At January 1, 2014, metropolitan France had 33.9 million housing units (source: INSEE and SOeS – estimated housing stock at January 1, 2014).

With demand outstripping supply for several years, Kaufman & Broad considers the positioning of its various programs across the country to be sufficient in terms of its identified customer base.

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 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

market for second-time homebuyers, long considered the deepest and most durable market. However, the 2008 real estate crisis and the reluctance 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.

Buyer type*

	Share of orders as a percentage		Share of revenues from orders (including VAT)	
	2014	2013	2014	2013
Investor ^(a)	36.6%	38.3%	34.5%	34.0%
Block	33.6%	25.8%	28.0%	19.6%
First-time homebuyer	22.7%	27.4%	26.4%	32.5%
Second-time homebuyer	7.1%	8.5%	11.0%	13.9%
Total	100%	100%	100%	100%
(a) Including "Scellier" and "Dufflot" investors	28%	23%	27%	23%

* Including joint-ventures.

In a difficult economic environment, where housing demand continues to outstrip supply, Kaufman & Broad's strategy is to focus more on first-time homebuyers who benefit from the "Zero-Interest Plus Loan" program while continuing to develop products aimed at investors under the "Pinel" incentive. Furthermore, in order to better meet the needs of the market, the group is focusing more on its managed housing for tourism, students and seniors, where demand is extremely high. In 2014, the group received a still-significant portion of its orders from investors, despite reduced tax incentives. Rental investment made up 34.5% of revenues excluding VAT (including 27% under the "Scellier" and "Dufflot" incentives), while block orders accounted for 28.0% of revenues. Homebuyers (first-and second-time) accounted for 37.4% of revenues versus 46.4% in 2013.

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.

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

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 €8,000. Second-time buyers typically purchase a home with 80 to 160 sq.m of living space.

In 2014, the sales price (including VAT) of the group's single-family homes ranged from €113,500 to €787,000. The average price was €380,000 in Île-de-France and €220,000 in the Regions. Living space in these homes ranges from 60 to 160 sq.m, depending on the program (see Section 2.1.3. "Tracking of indicators").

In 2014, the selling price (including VAT) of apartment units ranged from €1,650 to €12,700 per sq.m in Île-de-France and fluctuated between €1,380 and €9,500 per sq.m in the Regions. The average selling price (including VAT) of apartments (including parking) was close to €3,900 per sq.m in Île-de-France and €3,500 per sq.m 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 in Île-de-France, and the average price of the apartments delivered by the group over the past ten years.

Average price and average living surface of single-family homes in Île-de-France

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Average price (including VAT in €)	302,700	306,900	319,900	307,400	335,600	294,600	301,700	252,500	313,100	381,400
Average area (sq.m)	113	111	107	110	113	96	100	80	90	98

Average price of apartments in Île-de-France and in the Regions

(in euros, incl. VAT)	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Île-de-France	248,600	252,600	249,900	241,900	208,500	226,900	266,900	238,800	207,800	205,800
Regions	152,600	171,600	185,900	188,000	197,300	197,100	201,420	212,000	198,500	183,700

1.1.4.1.2. Individual investors

The group designs programs which are fully eligible for the main tax incentives, particularly the Pinel Incentive (see Section 1.1.2.2. "Tax Incentives") and in line with the requirements for social housing. The group estimates that in 2014 individual investors buying through prescribers, specialized networks, or its sale offices generated 36.6% of its orders in number versus 38.3% in 2013.

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 in this market segment.

The group estimates that these investors generated 33.6% of its orders in 2014 against 25.8% in 2013.

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. For this purpose, the companies involved are assessed by the group's technical services department, generally on completion of each project.

In its Single-family homes in communities programs, Kaufman & Broad works to create houses with harmonious architecture and functional interior design (large living room, separation of day-time and night-time areas, master bedroom suites, extensions or models that can be upgraded to suit changing needs, etc.). The group also attaches great importance to 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 site selection.

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 Kaufman & Broad's reputation for single-family homes are:

- the strong brand identity of our programs and our homes;
- programs with high-quality landscaping:
 - open-spaces, carefully arranged entrances and green spaces;
- home design expertise:
 - 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 a lawn.

These model homes are available in several architectural styles.

Ambiance A: Modern homes with wide openings, with no hinged shutter with roofs with 4 sloping sides. Ambiance B: A version with roofs with two sloping sides (gable roofs), various wood or plaster sidings.

Ambiance C: Homes with contemporary architecture and roof terraces.

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;
- storm water 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 in communities 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. In Île-de-France, the sites are often located close to public transportation and local services. In the Regions, the sites are also located in the city center or the inner suburbs of Aix-en-Provence, Annecy, Annemasse, Antibes, Avignon, Bayonne, Béziers, Bordeaux, Grenoble, Lille, Lyon, Marseille, Montpellier, Nantes, Nice, Nîmes, Rennes, Saint Raphaël, Saint-Tropez, Toulon and Toulouse.

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 2012 RT 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 expansion 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 focuses on meeting 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 reinforced its strong reputation in Île-de-France. Since 2011, the group relaunched this activity at the rate of one program per year. 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 purchasing land after the entire program has been presold (sale before completion).

Since 2010, Kaufman & Broad has partnered with Elithis for 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. This offer should enable project owners to benefit from an enhanced value of their real estate assets, significant reductions in energy consumption, compliance with environmental standards and customized renovation of their buildings.

1.1.4.2.4. Managed accommodation

Kaufman & Broad develops managed accommodation throughout the country for tourists, students, corporations and non-assisted seniors.

Managed accommodation is 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.

These special purpose housing units are marketed as amortizable investments for non-professional renters of furnished accommodation or under the Censi-Bouvard incentives that enable buyers to recover VAT.

Kaufman & Broad is positioned as a key player in the Silver Economy and responds to the national challenge of helping people who are becoming less self-sufficient to continue living at home, by offering two solutions: adapting the accommodation in the majority of their homes and, for people looking for social connections, senior housing residences at affordable prices in partnership with a nationally recognized service provider. These apartments are offered to private homebuyers, as unrestricted investments or under the Pinel incentive.

1.1.5. Marketing and sales

The marketing of Kaufman & Broad products involves a dynamic and highly responsive sales and marketing policy. The communication strategy, both traditional and digital, involves the deployment of resources targeted for each product and each municipality, as part of a national policy with regional variations.

This policy is applied to all points of contact with customers and future buyers, whether in our sales offices, which are true showcases of our brand's expertise, but also to model houses or apartments, decorated by professional interior designers.

1.1.5.1. Sales team

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

At November 30, 2014, these teams consisted of 149 people, including 102 sales representatives with an average of 7.7 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, comprising real estate professionals familiar with the group's products and code of conduct, is highly effective. This sales force also ensures that the group owns the lists of its customers and prospects.

There are separate dedicated teams who 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 to individual investors (products eligible for tax incentives). Kaufman & Broad thus uses specialized networks, such as banks, financial consultants and other specialist companies, to sell certain 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 program with the quality and appearance of the sales office. In order to benefit from its brand recognition and strong reputation, Kaufman & Broad designs the sales offices for its various programs in exactly the same way. The group's regional sales offices follow a national Corporate identity, which sets out 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 vicinity. In certain cases, sales are conducted by multi-program vendors without sales offices. 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 has opened Design Spaces or showrooms in Neuilly-sur-Seine, Lyon, and Toulouse. A showroom shared by the sales offices in Marseille, Nice and Toulon will open at Fréjus in the second half of 2015. These showrooms offer Kaufman & Broad customers a broad range of options for carpeting, tiles, hardwood floor, 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 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 each year by March 31, at the very latest) as well as the financial information may be downloaded from the group's website.

Presented in interactive format, the Registration Document offers useful features:

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

In 2014, more than 1.43 million visits were recorded. More than 1,100 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 marketing advisors, (KBPatrimoine.com), so that its partners can have permanent access to a virtual market place detailing the group's housing offers.

The website, which requires a login name and password, provides information about the group's investor offers and the ability to download all the 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 2,500 wealth management advisors and prescribers who access the site on a regular basis.

In 2014, KB Patrimoine recorded almost 110,000 visits to its website and 10,800 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.

Kaufman & Broad must comply with buyer protection laws and in particular the SRU (Solidarity and Urban Renewal) Law which is incorporated in the French Construction and Housing Code, and with the Hamon Law which was adopted in 2014 and amends the French consumer code. Accordingly, the sales administration department sends customers a copy of the signed order contract, by registered mail with acknowledgement of receipt. All customers then have seven calendar days from the date of receipt of the contract during which they can reconsider and withdraw.

In addition, if a customer has signed an order contract "outside the Company", which refers to situation where a marketing network or a prescriber was involved, the customer has a different "cooling-off" period during which they can cancel the agreement and which is up to 14 days from the signature of the contract, in addition to the first period.

If they do not withdraw, the sale covered by the signed contracts 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 capability 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 can 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.

1.1.5.5. Advertising

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

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

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 makes sure that the notary sends drafts of the contract to the customer, which must, according to law, be delivered at least one month before the scheduled signature date. It also ensures that notices for the notarized signing of the contracts are sent out at the appropriate time.

1.1.6.2. Form of sales and payment schedule

Since September 1, 1999 the group has marketed all its programs under the rules governing sales before completion ("VEFA"), as do most of its competitors.

Under a VEFA contract, the law has given real estate developers the ability to call for payments from customers as the work is completed, according to a schedule governed by law, in exchange for the obligation to give customers a Performance Bond (see Section 1.1.10 "Program Financing"). Calls may not exceed 35% of the total price on completion of the foundation work, 70%, on boxing up, and 95% on completion of the building. The balance is due on delivery. VEFA agreements immediately transfer to the buyer the title to the land and title to the building, as and when construction is completed.

During a VEFA sale, most of the calls for funds for single-family home programs keep to the following schedule: a 5% deposit at the time of the order is paid into an escrow account if the final deed of sale is signed within a year of the order, 25% on the start of construction work, 5% on completion of the foundations work 20% on completion of large works, 15% on boxing up, 15% on completion of interior partition, 10% on completion of the work and 5% on delivery. Kaufman & Broad may modify this payment structure for customers as part of periodic promotions designed to increase the rate of sales of certain programs. For apartment programs, funds are called in most cases according to the following schedule: a 5% deposit at the time of the order paid into an escrow account if the final deed of sale is signed within a year of the order, 25% on the start of construction work, 5% on 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% on 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 may modify this payment structure for customers as part of periodic promotions designed to increase the rate of sales of certain programs. Except in the particular circumstances relating to order contracts signed by outside sales networks or to specific and 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 must be deposited by the group in an order escrow 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 by more than 10% in terms of consistency or quality of planned work, as determined by an expert.

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 functioning 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 the running of their home, moving in or general inquiries.

When a defect is discovered in a home, the customer service department contacts the construction company in question and makes sure there is a rapid response. Similarly, if the one-year completion bond, the two-year guarantee of good working order or the ten-year guarantee is activated, 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 has gradually introduced a system of satisfaction surveys given to customers on delivery of their homes. The survey 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 delivery of their property. This type of personalized follow-up is an accurate gauge of customer feedback that enables the group to put in place appropriate strategies for development and innovation.

1.1.7. Development process

1.1.7.1. Single-family homes in communities and Apartments

Programs for Single-family homes in communities and for Apartments are typically developed in four stages: (i) obtaining administrative permits, (ii) purchasing the land, (iii) sale of the housing units and (iv) their 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 completion of a typical development (completion of roads, utilities connections and construction) of single-family homes in community is approximately 12 months.

An apartment program takes an average of 18 months, excluding the time needed to put together the project and arrange advance promotion.

1.1.7.2. Commercial Property

The group's Commercial Property activities are usually carried out for 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 is awarded either a real-estate development contract (where the group designs and builds the project for the building's owner-investor in return for a lump sum including fees) or a project management contract (where the group pays nothing toward construction and receives only a fee). In the case of sales before completion, the group designs the real-estate program with the assistance of outside architects. Once the commitment to sell 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.

Usually, the purchase of the land and the construction of the offices do not start until they are all sold.

1.1.8. Purchase of land

1.1.8.1. Selection of land

Kaufman & Broad's strategy is only to buy the land required for the expansion 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 companies acquired during the fiscal year in which they were acquired) represented a total investment of €251.7 million for 2014, €164.8 million for 2013 and €170.8 million for 2012.

Kaufman & Broad has its own teams specializing in real estate research and putting together real estate programs.

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

- 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 orientation);
- 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 relating 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 single-family home programs, a technical study of roads and utilities networks is usually carried out to determine the amount of improvement work enabling the total cost of land development to be fixed. Since its inception, Kaufman & Broad has had its own team specializing in roads and utilities networks. This team prepares the overall site plan and monitors development of the program.

1.1.8.2. Approval by the Land Committee

The Land Committee unanimously 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 the payment of an order deposit (particularly in the case of unilateral sales commitments).

The Committee members are the Chairman and Chief Executive Officer, the Senior Vice President and Chief Financial Officer, the Senior Vice President of the region concerned and the Agency Manager.

The file presented by the Regional Vice President 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 order deposit);
- a market survey to analyze the local market, the infrastructure, the price of new and existing housing in the area, and the number of programs in progress and under development in the area in order to recommend an average sales price for the housing units in the planned program;
- a technical and architectural feasibility study;
- a provisional marketing plan, by distribution channel;
- a projected construction schedule;
- a balance sheet and cash flow projection based on the tentative sale prices as a result of the market survey;
- the projected amount of expenses prior to obtaining building permits.

1.1.8.3. Project management and development costs

If the project is approved by the Land Committee, a contract of sale, which is generally unilateral, may be signed, subject to the condition precedent of obtaining the final building permit and to customary practices (conditions relating to vacating 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 contract includes the following:

- the sale price of the land;
- the conditions for completing the transaction: 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 intended purchase option, which must be compatible with the time limits necessary for obtaining the required administrative permits free of objections from third parties, or an administrative withdrawal;
- usually, 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 filing the building permit application (and after the bi-lateral contract of sale has been signed, if use of this type of commitment was necessary) and before the start of the sales and marketing process, the members of the Land Committee meet as a Commitment Committee to approve the program's strategic approach (particularly the commercial and technical aspects), confirm the program's updated budget that 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 and the marketing and sales tools. These decisions constitute a unanimous authorization granted to the Manager of the agency in question to continue the analysis of the real estate development project.

The documents presented to the members of the Committee constitute an update to the file initially submitted to the Land Committee.

A building permit application is then filed with the mayor's office in the municipality where the work will be carried out. Kaufman & Broad's teams monitor the processing of the permit applications with the engineering services departments of the towns concerned or the relevant Departmental Office of Infrastructure. The normal time frame for reviewing a building permit application is usually 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 mixed development zones (ZACs), or with the French Urban Planning Code.

If an objection 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 provided for in the option to purchase the land;

- defend the project before the competent administrative court (this solution is rarely chosen because of the long delays relating to the court's work load);
- try to reach an amicable settlement with the applicant, pursuant to which the latter agrees to withdraw all objections.

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 provides that final acquisition of the land only occurs if (i) the necessary administrative approvals are obtained to build the project on the land, free of any third party objections (this last condition applies in most cases), and if (ii) the program's profitability as set forth in the projected budgets has been checked.

In most cases, the operational managers submit their land purchase request when they have reached a pre-sale rate of around 50%. However, in some circumstances, such as meeting the deadline for completion of the contract of sale, the group may acquire land before this pre-sale rate has been reached.

Exceptionally, the members of the Land Committee may authorize a purchase when not all the conditions listed above have been met, for example, without reaching 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 purchase of the property in question is re-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 that includes the following documents:

- a memorandum on the administrative status of the land and on marketing;
- updated budget;
- provisional cash flow plan;
- state of progress of the file;
- updated statements of orders, by distribution channel, with a comparison to the Commitment Committee's targets;
- comment from the agency Manager on the order rate if this is below 50%;
- draft of the notarized deed;
- progress report on the request for tender documents.

1.1.9. Land development and monitoring the construction

1.1.9.1. Single-family homes in communities

The majority of land purchased by Kaufman & Broad for its single-family homes programs is not connected to transport and other utilities. Prior to the final acquisition of land, a team of technicians specialized in roads and other utilities, in consultation with an outside firm, conducts a study of how to connect the site to roads and other utilities.

Usually, construction work does not begin until a pre-sale rate of approximately 50% of the value of the phase of homes to be built is reached.

The technical department of the single-family homes division, composed of engineers and specialized technicians, acts as general contractor for single-family home programs, monitors their construction, and each phase of the program. It ensures that the work is carried out in compliance with the contracts signed and with 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 delivery of groups of single-family homes in phases gives the group significant security by enabling 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

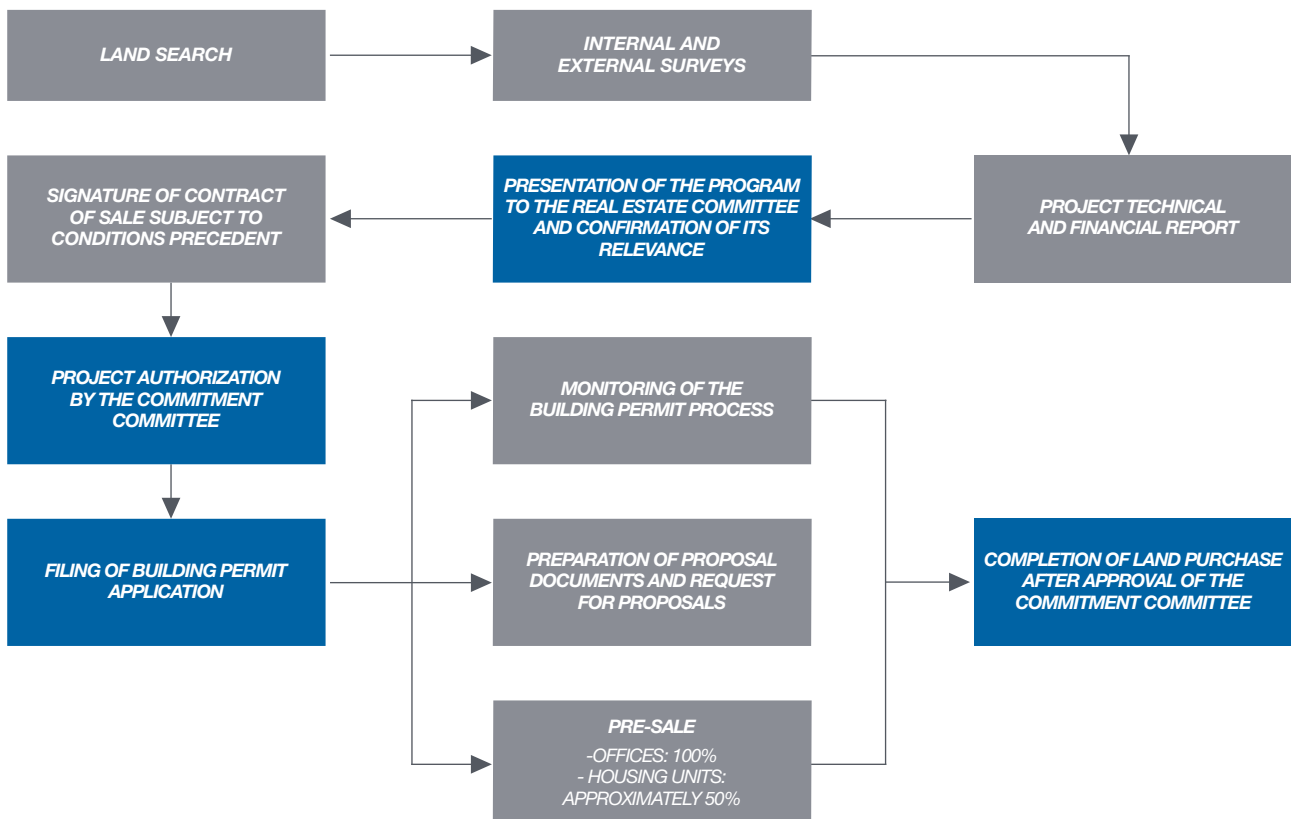
As a general rule, construction of apartment units does not usually begin until a pre-sale rate of approximately 50% of the total project value is reached.

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

For its apartment and Commercial Property programs, Kaufman & Broad does not usually 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 business model described above:



1.1.9.3. Monitoring operating budgets

Every quarter, the operating budgets for all the property programs are reviewed and updated by the operational players concerned (real estate, technical, and sales) in the agency, under the responsibility of the relevant regional management

controller and are approved by the Agency Manager. Financial balance sheets are submitted at quarterly Committee meetings by each concerned Regional Vice President, to the Finance Department and to the Senior Vice President of the region, where they are then 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 24 "Borrowings and Other Financial Liabilities".

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

As part of a sale before completion, the Law provides that customers must receive a Performance Bond at the signature of the order contract. This bond can either be issued by the program itself (intrinsic guarantee) or take the form of a bank guarantee (extrinsic guarantee).

For all its programs, the group generally uses the extrinsic guarantee system by obtaining a bank bond, transaction-by-transaction, from the group's 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 its contractors and suppliers through a competitive bidding 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 position 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 (see section 1.6.4.1. "Business Practices and Ethics", at the Centralization of Purchases paragraph).

For its single-family home programs, the group mainly 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 awarded to general contractors.

Kaufman & Broad has gradually been implementing a paperless process for handling calls for tenders, via an electronic platform that enables tender documents to be filed online. 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.

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.

The group considers it important to assess its degree of dependence on its main suppliers.

In order to more carefully assess its potential exposure to default by its suppliers, Kaufman & Broad has, since November 1, 2013, been introducing a rating system that it uses in the selection of suppliers, partners or affiliates and for the signature of contracts in calls for tenders. The use of financial ratings is intended to ensure the soundness and reliability of the companies with which the group enters into agreements.

1.1.12. Intellectual property

1.1.12.1. The Kaufman & Broad brand

As part of the disposal of the majority interest in 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 transferred the brands and logos, which has since become Kaufman & Broad Europe SA). Licensing agreements were signed, firstly, between Kaufman & Broad Europe SA and Kaufman & Broad SA and, secondly, between Kaufman & Broad Europe and the main operational subsidiaries of Kaufman & Broad SA. Under these 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 a notice of

termination by either party six (6) months before the initial term or six (6) months before each successive one (1)-year period expires. The license is granted free of charge by Kaufman & Broad Europe SA to Kaufman & Broad SA; and to the subsidiaries of Kaufman & Broad SA in return for a 0.7% license fee (excluding VAT) on the annual amount, excluding tax, of notarized sales made by these 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 30 "Related party transactions").

1.1.12.2. Other brands

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

1.1.13. Main offices

For the conduct of its business, the group rents offices in Neuilly-sur-Seine, Lyon, Marseille, Toulon, Rennes, Toulouse, Bayonne, Grenoble, Montpellier, Nice, Annecy, Bordeaux, Nantes and Lille from third-party lessors. These offices are occupied under commercial leases, usually for a term of nine

years. For the companies that were part of the group at November 30, 2014, rents and rental costs totaled €5.1 million (excluding VAT), compared to €5.3 million (excluding VAT) in 2013 (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, in particular, result in significant differences compared to the forward-looking statements and other financial data, if any, included in the group's documents filed with the AMF or in any other written or oral statements made by the group or by its representatives. The list of risks shown below is not exhaustive since 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 particular ranking 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 "Report of the Chairman of the Board of Directors").

The goals and scope of the Internal Control System and of the management of risks in force within the Kaufman & Broad group are:

- first, to 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, to check that the accounting, financial and management information communicated internally or externally accurately reflects the business and financial position of the Company and the group.

The Internal Control System put in place by the group's management includes a risk management system that seeks to list and analyze the major identifiable risks to the group's objectives and to ensure that measures exist to manage these risks. The mapping of risks by general management is an essential step in the identification of the Company's risks.

One of the objectives of the Internal Control System is to prevent and control the risks resulting from the Company's business activities, as well as the risks of error or fraud, in particular in the fields of finance and accounting. As with any control system, however, it cannot give an absolute guarantee that such risks

have been totally eliminated, and it seeks to provide reasonable assurance that the objective of the Internal Control System will be attained.

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

1.2.1. Risks related to the economic and financial environment

1.2.1.1. Risks related to the economic crisis

The market for new housing in France in which the group operates remains strongly influenced by the general economic environment. Changes in key macroeconomic indicators, such as economic growth, the consumer confidence index, interest rates and the rate of unemployment (described in Section 1.1.2. "Main characteristics of the business") are some of the variables that may impact the business of 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 will weigh heavily on the financial position of homebuyers for many years. While the need for a home remains the main reason to buy, a lack of means is still a major hindrance. Since incomes have tended to stagnate, this ability depends less on households' purchasing power than on their ability to borrow.

The opportunities for the group to sell properties therefore depend directly 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, namely their maturity, their rates of interest and the conditions for extending them (personal funds contributed, guarantees required, etc.) are likely to have a direct impact on the level of demand for property for sale. The group's operating income could therefore be significantly impacted should demand decline, particularly because of the difficulties faced by potential homebuyers in financing their purchase.

For Kaufman & Broad, the market for new housing has two key focus areas: home ownership and rental investment, the latter being divided between institutional and individual investors. These focus areas 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 for private investors through the various tax incentives offered to them (Scellier, Censi-Bouvard and Duflot in 2013-2014 and Pinel since September 2014). The selective approach to location and the continuous adjustments to the definition of the products offered for sale by the Company have enabled it to maintain its business in a weakened and uncertain general environment.

Any factor with a negative effect on the real estate market may have a damaging effect on the group's business. Such factors could, in particular, reduce demand for houses and apartments or increase the timeframe required to build them or the associated costs. A fall 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 the land and starting construction work. It is also possible that the group may not be able to pass on construction cost increases to the sale prices, either because of an economic recession or because housing prices are set several months before their delivery in

accordance with the terms of contracts for sale before completion. In addition, the level of group's order book – which includes revenues relating to property not yet delivered and for which no notarized deed has yet been signed – may decrease in the event of a lasting decline of real estate prices in France. Finally, a decrease in demand or an increase in the construction deadlines is likely to postpone the recognition of profits 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 relating to the group's real estate programs 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 may result in an increase of the price of their services which is reflected in the costs of construction for developers. This rise in prices is usually observed at the end of a period of 12 to 18 months. Conversely, when economic conditions deteriorate and demand slows, prices fall in the same way, usually also within a period of 12 to 18 months.

In this environment, the group has, for several years, been diversifying its offer to include products to which it can apply its housing development expertise, such as managed accommodation (tourism, students, corporations and non-assisted seniors) which could partially reduce its exposure to the cyclical nature of new housing in France.

Such diversification could increase the rate of order cancellation, change the pace of recognition of the group's revenues or affect its gross margin. For example, the application of the method for recognizing 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 rate of pre-sales: the group does not usually commit itself to Commercial Property programs unless the program has been pre-sold in full; while for housing programs, the group usually becomes committed to housing programs after a pre-sale rate of 50% has been reached compared to 100% for Commercial Property;
- second, the cost of land is proportionately greater for Commercial Property than for the housing segment, insofar as such land usually located near city centers where they are purchased at higher prices per square meter.

As a result of these various factors, the recognition of revenue and income in Commercial Property programs is faster than in the Housing business. This product mix effect may create distortions in the analysis of changes in business activities year on year. In addition, gross margins are generally lower for Commercial Property programs than those observed 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 this, the impact of this mix on the group's overall profitability remains limited because of the lower cost structure in the Commercial Property business. Finally, orders for units of managed accommodation are more likely to be cancelled than orders in the Housing business. Indeed, the volatility of investors is greater depending on the profitability offered. Furthermore, in cases 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.

In addition, the group is able to deal with fluctuating market conditions by conducting its business with a low level of fixed charges. In fact, the main costs for the group are variable and result mainly from the cost of land acquisition, of construction costs, of program sales; and the costs and compensation of 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 it launches. After taking account of the necessary adjustments to programs already started (in particular, provisioning the costs relating to committed programs, and the additional future costs for completion of these programs and taking into account the design costs of discontinued programs), the group believes that the benefits of a more conservative development strategy are usually felt within one year of its implementation.

The main features of the macroeconomic environment in which the group conducted its business activities in 2014, are described in Section 2.1.1. "Significant data".

Finally, the main assumptions made by the group with regard to the factors that might positively or negatively influence its business activities in 2015 are presented in Section 2.1.4. "Outlook".

1.2.1.2. Risks relating to joint-development programs

Kaufman & Broad conducts certain real estate development programs in conjunction with external shareholders, which inject capital into the programs and provide shareholder loans. Depending on the current economic and financial situation, certain partners of the group participating in joint development programs might default during the property development phase and may 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 believes that the financial position of a partner is weakened, a provision for risks is recognized in the company's financial statements. As such, the total provision for risks was €8.2 million in the group's Consolidated Financial Statements at November 30, 2014, versus €10.3 million at November 30, 2013. 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 relating to bank guarantees for sales before completion

For its property development programs, the group uses an extrinsic guarantee system in order to provide clients with the Performance Bond required by current regulations. The group obtains a guarantee, transaction by 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, might 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 in the additional constraints being 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 relating to the insolvency of suppliers and other companies

Since the group's business relies on numerous suppliers and other companies, the insolvency of some of these companies or some of these suppliers (in the event of court-appointed receivership or liquidation) might have a negative impact on the group's business and, in particular, might slow down construction or increase costs. It could also affect the successful enforcement 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 rated by the 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 forecast financing needs, either per program or for the group and its regional divisions.

The Company has refinanced the Senior Facilities Agreement signed on July 9, 2007 (the "2007 Senior Facilities Agreement") by signing on March 19, 2014 a new Senior Facilities Agreement (the "2014 Senior Facilities Agreement") simultaneously with the launch by its leading shareholder, Financière Gaillon 8 SA, of the refinancing of its entire acquisition debt by issuing high yield notes (the "High Yield Notes"). As part of the 2014 Senior Facilities Agreement, the group has syndicated loans with a tranche A for a maximum principal amount of €50 million (Facility A) and a tranche B with a maximum principal amount of €100 million (Facility B), and a revolving credit facility (RCF) for a

maximum principal amount of €50 million, i.e., a total maximum amount of €200 million. At November 30, 2014 the amount of the group's cash and cash equivalents stood at €150.0 million, to which is added €50.0 million for an undrawn revolving credit facility, taking Kaufman & Broad's financial capacity to €200.0 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 or of those of its leading shareholder, 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 2014 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

At November 30, 2014, the group's main debt facilities were as follows:

(in € thousands)	Debt capacity	Utilization at November 30, 2014	Repayment	Rate ^(a)
Facility A	50,000	50,000	<i>repayable by semi-annual installments of €5.5 million from March 2015 to March 2019</i>	E +325 BPS
Facility B	100,000	100,000	<i>bullet repayment in March 2019</i>	E +350 BPS
RCF ^(b)	50,000	-	<i>bullet repayment in March 2019</i>	E +325 BPS
Total	200,000	150,000	-	-

(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 the payment of interest, the repayment of financial debt, derivatives excluded, and the derivatives with their positive or negative fair values. The floating rate interest payments were calculated on the basis of the latest interest rates known at November 30, 2014.

(in € thousands)	Book value Nov. 30, 2014	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	150,000	5,930	11,100	16,289	138,900	-	-
Credit facilities and other borrowings-	585	22	585	-	-	-	-
Total	150,585	5,952	11,685	16,289	138,900	-	-

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 24.3. "Maturity" to the Consolidated Financial Statements.

The group's debt facilities presented in the table above are part of the 2014 Senior Facilities Agreement signed in March 2014 relation to the refinancing of Kaufman & Broad SA's senior debt. Under the 2014 Senior Credit Facilities Agreement, dated March 19, 2014, the loan under tranche A is repayable by nine semi-annual installments from March 31, 2015 and the loan under tranche B is repayable on the maturity date, i.e., on March 31, 2019.

1.2.1.5.3. Primary restrictive undertakings under the 2014 Senior Facilities Agreement and the High Yield Notes Indenture Agreement

In addition to the sureties granted to the lending institutions described in Sections 1.2.3.1. and 1.2.3.2. "Risks related to the pledge of Kaufman & Broad SA shares held by Financière Gaillon 8 under the High Yield Notes Indenture Agreement" and 1.2.3.2. "Pledges and sureties granted by Kaufman & Broad SA and its subsidiaries under the 2014 Senior Facilities Agreement", the 2014 Senior Credit Facilities Agreement contains several covenants limiting the ability of Kaufman & Broad SA and its subsidiaries to carry out the following transactions (on terms other than those authorized by the 2014 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 by another company;

1.2.1.5.4. Financial covenants under the 2014 Senior Facilities Agreement

The 2014 Senior Facilities Agreement stipulates among other things:

1. For each accounting quarters from August 31, 2014 until the agreement expires in 2019, the group is required to comply with two ratios, calculated on a consolidated basis, with levels redefined as follows:

Ratios at each quarter-end	Threshold	Ratio at November 30, 2014
Leverage Ratio (ratio of Fund not weighted to the risk) ⁽¹⁾	< 3	0.01
Debt Ratio ⁽²⁾	< 1	0.00

(1) i.e., Net Financial Debt divided by EBITDA (b) where:

(a) Financial Debt means gross financial debt less cash and cash equivalents and excluding certain subordinated debts and certain off-balance sheet items;

(b) EBITDA means net earnings of the consolidated group before tax on income, interest income (including net financial expenses, 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;

(2) i.e., Net Financial Debt (a) divided by adjusted shareholders' equity (c).

(c) Adjusted shareholders' equity = consolidated shareholders' equity at 11/30/13 + cumulative income from 12/1/13 to the end of the relevant quarter – dividends paid for the relevant period + cumulative impairment charge for the period from 12/1/13 to the end of the relevant quarter.

2. The agreement provides for a cash sweep clause under certain conditions.
3. The sureties to guarantee the sums owed by the Company as a borrower are described in Note 27 to the Financial statements and are similar to those that were in place for the 2007 Senior Facilities Agreement for which total release was obtained under the refinancing.

4. sign new loans or extend loans;
5. materially change the nature of their operations or amend their bylaws;
6. grant guarantees or sureties;
7. issue preferential equity securities, such as preferred shares;
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; and
9. enter into certain types of intra-group transactions.

The execution of certain of the transactions discussed above under the terms authorized by the 2014 Senior Facilities Agreement, particularly the transactions stipulated in Section 1 above, may also generate accelerated partial repayment of the debt under the 2014 Senior Facilities Agreement. In addition, the 2014 Senior Facilities Agreement stipulates that a portion of the group's excess cash flow (as defined in the 2014 Senior Facilities Agreement) must, under certain conditions and as of the end of the year ending November 30, 2015, be used to repay early a portion of the credit lines drawn by the group.

Furthermore, the Indenture contains clauses restricting, among other things, the debt capacity of Financière Gaillon 8 and of some of its subsidiaries (including Kaufman & Broad SA) to carry out certain transactions (seeking, in particular, to contract for or guarantee additional debt, to impose restrictions on the subsidiaries as to their ability to pay out dividends or make other payments for its benefit, to transfer, rent or sell assets or to sign certain agreements with affiliated entities).

The amount of the group's debt and the restrictive covenants under the 2014 Senior Credit Facilities Agreement and/or the Indenture (see Section 1.2.1.5.6.) could significantly reduce the group's flexibility in conducting its operations.

1.2.1.5.5. The group may be unable to comply with the restrictive covenants of the 2014 Senior Facilities Agreement

The group may be unable to comply with the restrictive covenants and/or financial ratios stipulated in its facilities agreements and in particular in those referred to in Sections 1.2.1.5.3. "Primary restrictive undertakings under the 2014 Senior Facilities Agreement and the High Yield Notes Indenture Agreement" and 1.2.1.5.4. "Financial covenants under the 2014 Senior Facilities Agreement", 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 2014 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 sureties granted by Kaufman & Broad SA and its subsidiaries under the 2014 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 group's operational performance, the Company may have to turn to the group's creditors to requests waivers of the event of default; such waivers may not be granted to the Company and accordingly the potential default could result in the Company and/or one of its subsidiaries becoming insolvent. In this respect, the 2014 Senior Credit Facilities Agreement requires the prior consent of all or only some, as applicable, of the lenders under said Agreement for any easing of the group's covenants under the 2014 Senior Facilities Agreement. In the event of accelerated repayment of the amounts due under the Senior Facilities Agreement, assets may not be sufficient for full repayment.

1.2.1.5.6. The group's debt under 2014 Senior Facilities Agreement and the debt of its leading shareholder under the High Yield Notes Indenture contract could affect the group's business.

The restrictive clauses under the 2014 Senior Facilities Agreement, as well as certain restrictive clauses under the Indenture, 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 to unfavorable economic conditions or by preventing it from profiting from an improvement in these 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 affect the group's ability to exercise its activities and limit its ability to react according to market conditions or also to seize business opportunities that may present themselves, particularly to make payments or investments or to create certain liens or sureties (see 1.2.1.5.3. "Primary restrictive undertakings under the 2014 Senior Facilities Agreement and the High Yield Notes Indenture Agreement"). For example, these restrictions could affect the group's capacity to finance the exploitation cycle and the investments of its activities, to make strategic acquisitions, investments or alliances, to restructure its organization or to finance its capital requirements. 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 to be in a position to meet its future repayment obligations.

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, indexed to floating 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 un-hedged floating-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, were to decrease, thus reducing the funds available to finance operations and future commercial opportunities.

Under the 2014 Senior Facilities Agreement, the group undertook to set up hedging instruments to cover interest payment relating

to at least 50% of the amounts due under the Senior Facilities Agreements (Facility A and B) so that these amounts would be reduced proportionally by any voluntary or mandatory repayment made by the Company. Interest-rate hedges are set up using instruments listed on organized or OTC markets and with high-quality counterparties.

Since November 30, 2014, Kaufman & Broad has signed new hedging instruments to hedge its borrowing rates for a principal amount of €125 million until November 30, 2017.

The objective 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 floating-rate loan interest flows with interest-rate swaps. The latter are derivatives that hedge cash flows. They are marked to market on the balance sheet.

Sensitivity of assets and liabilities to changes in interest rates

(in € thousands)

	Base	Book gain/loss 50 bps increase	Book gain/loss 10 bps decrease
Syndicated loan lines (A & B) ^(a)	150,000	(750)	150
Credit facilities	585	(3)	1
Cash and cash equivalents ^(c)	128,002	640	(128)
Investment securities	21,990	110	(22)
Swap ^(b)	125,000	625	(125)
Net impact on income before tax	-	622	(124)

Assumptions: 1-month Euribor interest rate of 0,141%.

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

- increase: -€ 750 thousand;
- decrease: +€ 150 thousand.

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

- increase: -€ 128 thousand;
- decrease: +€ 26 thousand.

(c) Bank balances, available cash and reserve balances.

Type of instrument	Floating /Fixed	Less than one year	1 to 5 years	More than 5 years
Syndicated credit facilities (A & B)	Floating	11,100	138,900	-
Credit facilities	Floating	585	-	-
Financial liabilities		11,685	138,900	-
Bank balances and cash on hand	Floating	126,305	-	-
Short-term investments	Floating	21,990	-	-
Order balances	Floating	1,697	-	-
Financial assets		149,992	-	-
Net position before management	Floating	(138,307)	138,900	-
Swaps		-	(125,000)	-
Net position after hedging		(138,307)	13,900	-

At November 30, 2014, 84.5% of the sums due under the Senior Facility A and B loans, are interest which is hedged by swap agreements with a weighted average interest rate of 0.394% totaling €125 million and maturing on November 30, 2014.

1.2.2.2. Equity Risks

The Company is only moderately exposed to equity risk because:

- the marketable securities held by Kaufman & Broad consist of money-market mutual funds (SICAV) with investment grade ratings and acquired from recognized institutions;
- the 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 11, 2014"), i.e., to be used mainly for the stock option

and bonus share plans, or under the liquidity contract. The outcomes of stock purchases and bonus share allocations are described in Sections 5.2.3.2 "Summary of share purchases" and 5.2.3.3. "Summary of bonus share awards", respectively. The combined impact of these shares and price fluctuations is described in the notes to the Consolidated Financial Statements (see Section 4.1.5. Note 21 "Shareholders' equity").

The Company has not invested in other financial instruments listed for trading on any market, regulated or not.

1.2.2.3. Currency Risks

The group considers that it is not exposed to foreign exchange risk, since all its assets and liabilities and flows are denominated in euros.

1.2.3. Legal risks

1.2.3.1. Risks relating to the pledge of Kaufman & Broad SA shares held by Financière Gaillon 8 under the High Yield Notes Indenture Agreement

Kaufman & Broad SA shares held by Financière Gaillon 8 are pledged to lenders under the Indenture (see 5.3.3.3. "Pledges"). Accordingly, subject to certain reservations and conditions, in the event of default (i) by Financière Gaillon 8 on its obligations under the Indenture, but also (ii) by certain of its subsidiaries in relation to their debt (including Kaufman & Broad SA under the 2014 Senior Facilities Agreement) said pledge may be enforced. A significant number of shares may be sold in such case, which could have a material impact on the price of the company's shares and on control of the company. In addition, the 2014 Senior Facilities Agreement stipulates that, in the event of a change in control at Kaufman & Broad SA, the loans extended

to Kaufman & Broad SA will be subject to accelerated repayment (see 1.2.3.3. "Relationship with the Majority Shareholder").

1.2.3.2. Pledges and sureties granted by Kaufman & Broad SA and its subsidiaries under the 2014 Senior Facilities Agreement

The refinancing of the 2007 Senior Facilities Agreement was accompanied by a release of all sureties that were given in guarantee for its commitments.

Under the 2014 Senior Facilities Agreement, the following sureties were granted by Kaufman & Broad SA to guarantee its commitments.

Type of pledge/lien

Type of pledge/lien	Final expiration date ^(a)	Amount of assets pledged ^(b)	Total balance sheet value	Total % of Kaufman & Broad SA balance sheet at Nov. 30, 2014
Pledge of financial instrument account -100% of Kaufman & Broad Homes SAS shares held by the Company		€10,450,195	€10,450,195	2%
Pledge of the credit balance in the Kaufman & Broad SA bank accounts		€35,505	€35,505	-
Master agreement for the assignment of intra-group receivables from Kaufman & Broad SA's subsidiaries, in particular Kaufman & Broad Financement SNC	-	-	-	
Pledge of 100% of Kaufman & Broad Europe SAS shares		€217,436,878	€217,436,878	48%
Total		€227,922,578	€227,922,578	50%

(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, 2014.

Furthermore, under the terms of the 2014 Senior Facilities Agreement, Kaufman & Broad Homes SAS and Kaufman & Broad Europe SAS also granted joint guarantees as surety for all the commitments of Kaufman & Broad SA in respect of the 2014 Senior Facilities Agreement, subject to limitations on guarantees set forth therein.

As a guarantee of the amounts due by Kaufman & Broad Homes SAS and Kaufman & Broad Europe SAS as joint guarantors of the 2014 Senior Facilities Agreement, each of the subsidiaries pledged its bank accounts and their intra-group receivables.

Should the Company (and certain of its subsidiaries) fail to meet its obligations under the 2014 Senior Facilities Agreement, in particular the various restrictive covenants set out in Sections 1.2.1.5.3. "Primary restrictive undertakings under the 2014 Senior Facilities Agreement and the High Yield Notes Indenture Agreement" and 1.2.1.5.4. "Financial covenants under the 2014 Senior Facilities Agreement", the lenders could be able to liquidate the sureties guaranteeing those obligations, which may have a material effect on the group, its business, financial position or results.

1.2.3.3. Relationship with the Majority Shareholder

The 2014 Senior Facilities Agreement stipulates that, in the event of a change in control of Kaufman & Broad SA, each lender will have the option to request accelerated repayment of the debt contracted by Kaufman & Broad SA under said agreement. Under the terms of the 2014 Senior Facilities Agreement, a change of control would occur if (i) PAI Partners, including the funds managed by PAI Partners (or one of its affiliates), no longer held more than 50% of the shares or voting rights in Kaufman & Broad SA or (ii) in the event of sale, transfer or other action to dispose (other than a merger, consolidation or any other similar transaction), in one or more related transactions, of all or part of the group's assets.

Financière Gaillon 8 (a company ultimately controlled by the funds managed by PAI Partners), in its capacity as majority shareholder holding 87.95% of the capital and 94.91% of the voting rights of the Company (See Section 5.3.1. "Shareholders of the Company at November 30, 2014 and the change over three years" below) 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 Ordinary Shareholders' Meeting (such as resolutions on the election and removal of Board members, dividend payouts, and approval of financial statements) and to the Extraordinary Shareholders' Meeting (such as resolutions on a merger, a spinoff, a capital increase or any other amendment to the bylaws); 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 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 business dealings with the group.

In addition, the Company ensures that its majority shareholder does not exercise excessive control by means of various governance arrangements, for example by having at least one third of the members of its Board of Directors represented by Independent Directors or by having specialized Committees (the Audit Committee and the Compensation and Nominating Committee) themselves chaired by Independent Directors, but also by the casting vote given to the Chairman of the Board of Directors in the absence of a majority.

1.2.3.4. Regulations applicable directly to the group

There is no specific regulatory regime covering the group's business of developing and building Single-family homes in communities, apartments and Commercial Property.

Nevertheless, the group does have to comply with numerous regulations in the conduct of its business. Any amendments to such regulations could have material financial consequences. Specifically, the strengthening of building, environmental or building permit issuance standards could adversely affect the profitability of the group and its 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 position.

As a project owner who designs its real estate programs, the group must comply with applicable regulations set forth in urban planning documents drafted by city governments such as zoning plans and urban development programs. Such regulations include rules regarding the height of buildings, the distances between each building and the guidelines for the placement of structures on land, for possible exceptions to these rules and guidelines, and for 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 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 increasing 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. This increase in the number of standards generates growing complexity for the development of real estate projects and additional costs relating to these new obligations, which could lead to longer delivery times for our programs and an increase in the number of objections from third parties, could, therefore, affect the group's earnings.

As a seller of housing units, the group must comply with the general law of sales and consumer protection, but also with specific regulations relating to sales before completion (VEFA), as provided for in Articles L. 261-3 *et seq.* of the French Construction and Housing Code.

In accordance with Articles L. 271-1 *et seq.* of the French Construction and Housing Code, non-professional homebuyers have a right of withdrawal during a cooling-off period of seven days from reception of the non-notarized purchase contract or

an order contract, if one exists, since the contract does not become final and binding until this period expires. The regulations relating to sales before completion contain a certain number of mandatory provisions designed to protect buyers. The main provisions include the following obligations: to execute the deed of sale in notarized form; to provide a Performance Bond (most often in the form of a bank guarantee); to sign a preliminary agreement that contains the condition precedent of obtaining financing, together with certain conditions associated with the customer's assessment that the project and the reserved lot comply with the terms of the final deed of sale; to place the order deposit in escrow; and to comply with the schedule of calls for 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 guarantees). The law has introduced the principle of a presumption of liability on all parties involved in the construction of a building in the event of damage, including damage resulting from defects in the soil, 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.

Thus, homebuyers have a ten-year guarantee for any damage that may render the building unfit for its intended purpose and a two-year performance guarantee for the correct functioning of equipment installed in the building. Customers may make reparation claims against the group, which may in turn hold the contractor liable for construction defects. This system of guarantees is complemented by an obligatory insurance scheme, introduced by Law No. 78-12 of January 4, 1978, called "Structural Defects" insurance (*dommages ouvrages*), which must be obtained at the beginning of construction. This insurance enables the compensation for defects covered by the two-year or ten-year guarantees to be pre-financed. The benefit of this cover 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". As regards the regulations relating to the group's construction sites, the Law of December 31, 1993 requires the project owner to designate, at 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, to inform the various parties at the construction site of the potential risks and to 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 current with their payroll taxes; and to require the executives of these companies to sign a solemn written undertaking not to employ illegal workers.

In the course of its operations, and particularly when filing building permits, the group may face delays brought about by third parties in addition to the normal time frame for receiving a building permit, which is typically three to five months. Third parties (associations or neighbors) may challenge building and demolition permits on the grounds that they do not comply with local urban planning regulations, such as zoning plans and development plans for mixed development zones (ZACs), or with the French Urban Planning Code. The main risk facing the group is essentially a delay caused to a program's schedule. Moreover, a description of this procedure and details of how the situation can be resolved are provided in Section 1.1.8.4. "Commitment Committee".

1.2.3.5. Risks relating to litigation proceedings

In the normal course of business, the Company is exposed to legal action (complaint proceedings, proceedings in various courts, etc.) particularly resulting from structural and other defects in its real estate development programs, from failure to comply with certain legal or regulatory requirements, from the validity of the building permits obtained, or from any other alleged irregularity. Proceedings that would expose the group to significant amounts could divert the attention of its executives from management of the group's operations. Such proceedings could also result in orders to pay significant amounts, in 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 business and its results.

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

Details of the main ongoing litigation proceedings are described in Section 1.3. "Current litigation", and in Section 4.1.5. "Statement of financial position – Liabilities", Note 23 "Provisions". The amounts provisioned in the accounts of Kaufman & Broad appear appropriate in light of the assessments of these proceedings. 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 the ongoing litigation.

To date there are not, to the Company's knowledge, any other proceedings the exceptional nature or financial risk of which could significantly affect the business, the assets, the income or the financial position 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 which, depending on how they are applied, have had varying degrees of influence over the level of construction of new housing (see Section 1.1.2.2. "Tax incentives").

Like all the players in this market, Kaufman & Broad benefits from the tax incentives aimed at encouraging investment by private individuals. The elimination of, or a change in, certain benefits in favor of rental investments could have a major impact on the real estate market and, therefore, adversely affect the Company's business and/or profitability.

1.2.3.7. Changes in tax regulations

The group is subject to numerous tax regulations that apply with respect to its business, including regulations concerning the assessment of direct tax expenses, different VAT regimes, and the calculation of the income tax due on the earnings of companies included within the same tax consolidation group.

Although the Company takes all reasonable steps to avoid errors, the complexity of these regulations and the fact that they are constantly being changed 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 include, in particular, performance bonds, described in Note 27 "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 order deposits for land, performance bonds and financial covenants. 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. "Report of the Chairman of the Board of Directors").

1.2.3.9. Protection of personal data

For the purposes of its business, the group collects and uses data supplied by its customers. Accordingly, in its relationship with customers or prospects, the group collects personal data, some of which are relatively sensitive, relating to their assets. Even though the Company considers that it has taken appropriate measures to protect these data and to comply with the regulations of the *Commission Nationale Informatique et Libertés* (the French Data Protection Authority), 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). If this were to happen, the persons that have suffered harm or loss could take legal action against the group. In such case, the group's image and the Kaufman & Broad brand could be tarnished, so that the group's business, income 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, in the sales prices for its products and in access to subcontractors from both national and regional builder-developers (see Section 1.1.2.4. "Main competitors"). The market for resale of houses and apartments is also a source of competition.

These competitive conditions can:

- make it difficult to acquire land that meets the group's land acquisition criteria;
- slow down the construction of programs due to a lack of subcontractors;
- reduce its revenues and/or profit margins;
- cause Kaufman & Broad to offer or increase price discounts;
- reduce 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 hinder 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 expertise, the group is not particularly dependent on any customers, suppliers, patents, licenses, new manufacturing processes or contracts.

In fiscal year 2014 as a whole, its top ten customers, who are mainly real estate companies and institutional customers (excluding Commercial Property customers), represented 9.2% of order revenues.

Its top ten suppliers accounted for 23.5% of flows billed by suppliers during fiscal year 2014 and the leading supplier 5.7% of flows.

1.2.4.3. Risks related to construction costs

As a builder-developer, Kaufman & Broad entrusts construction work to third-party contractors from a variety of trades. Despite having a "controlled" process for the conduct of business, which checks the strategic and financial feasibility of a real estate project before a project is started (see Section 1.1.7. "Development process" *et seq.*), the group may be exposed to risks inherent in its construction costs. Although the group relies on estimated preliminary cost budgets and 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 be passed on to construction, because of a lack of available 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 at least part of the cost increases on to its sales prices.

Lastly, with regard to construction work, Kaufman & Broad selects its contractors through a competitive tender process. If the companies operating in this sector were to fall in number 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 constraints. Furthermore, the award 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 awarding 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 Single-family homes in communities or Apartments. Increased competition or a decrease in the land available in certain areas 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 makes sure that such property is not affected by 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 a permit is granted to carry out construction, development or structural work 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 on the problems at issue, it may be decided either to file an application for an exception for destruction of protected species (reviewed by the National Committee for the Protection of Nature), or to change the general ground plan in order to avoid the protected species, or to take compensatory measures considered by the Regional Directorates for the Environment, Planning and Housing (DREAL). However, it can happen that, during real estate development operations, protected species, which have not previously been detected, are present in specific areas. Such discoveries can significantly affect the program and its financial integrity, by the delays in its schedule, or because of additional costs relating to special technical arrangements, or by questioning the suitability of certain plots for construction, etc.

1.2.4.8. Pollution risks

Prior to any acquisition of land or a building, the group usually has a third-party expert assess the level of pollution of the soil and sub-soil, the existing constructions, 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 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 that the group owns, or has owned.

No estimate of these contingent liabilities can be made, even if we could acquire, 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 action 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 to borrow 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 contracts to purchase land are signed.

1.2.5. Insurance

In order to preserve the confidentiality requirements relating to insurance contracts and thus protect the competitiveness of the group in this field, 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 losses from the interruption of operations.

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.

1.2.4.9. Risks related to weather conditions

Weather conditions, excluding natural disasters the exceptional nature of which makes risk unpredictable, 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 (or 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

Taking into account the nature of its business, its organizational structure and its different locations, the group has not identified any disasters that might threaten the continuity of its operations, with the exception of the partial or complete physical destruction of its information systems, which could result in a break in its flow of data.

In order to avoid 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.

1.2.5.2. Mandatory insurance

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

Structural defects insurance is taken out when construction begins. The purpose of this insurance is to pre-finance the cost of repairing defects that appear after delivery and are covered by the ten-year warranty. The benefit of this cover is transferred to customers when they acquire their homes and to their successors upon sale of the property.

This insurance covers the costs of repairing damage, including damage resulting from defects in the soil, which compromises the soundness of the constructed structures or affects one of the basic components or a piece of equipment, rendering them unfit for their intended use, or affecting crucial integrated equipment inseparable from the foundation, the framing, the walls or roof, as defined by Article 1792-2 of the French Civil Code.

It covers repair costs, including demolition work, excavation, and, if necessary, installation or removal, once a non-contentious expert's inspection has been conducted within certain pre-defined time limits. After making payments under these policies, insurance companies usually turn to the builders responsible for the defect and their insurers in order to obtain reimbursement of amounts paid out.

The upper limit for the cover is the total construction cost, including fees, for structures other than housing, and the cost of repairs 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 has 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 and within the limit for this liability.

The upper limit for the cover is the total construction cost, including fees, for structures other than housing, and the cost of repairs for housing structures.

Since January 1, 2014, the Structural Defects and CNR insurance policies have been taken out with AXA France IARD and SMABTP.

Premiums amounted to €7.043 million (i.e., 0.65% of consolidated revenues) for the fiscal year ended November 30, 2014.

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 Allianz IARD since January 1, 2014.

The premiums paid under that policy in the fiscal year ended November 30, 2014 totaled €0.053 million (i.e., 0.005% of consolidated revenues).

1.2.5.3. Other insurance relating to group activities

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

1.2.5.3.1. Developer's Liability Insurance

The Developer's Liability insurance 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 €0.45 million in fiscal year 2014 (i.e., 0.041% of consolidated revenues).

Since January 2014, coverage for bodily injury, property damage and consequential loss claims for all group businesses has amounted to €75 million (i.e., 6.92% 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.

The "Real Estate Agents Liability insurance" for companies that are property dealers, with coverage in compliance with the Hoguet Law (Law of July 2, 1970), has been incorporated into the developer liability policy since January 1, 2014. The coverage for bodily injury, property damage and consequential losses combined are covered on the same conditions as those described in Section 1.2.5.3.1.

1.2.5.3.3. Directors' Liability Insurance

The group has also taken out a liability insurance policy to cover, under 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 executives, the loss of whose services might hinder the achievement of its business growth objectives. The senior executive team, whose members have been with the group for an average of about 9.9 years, has significant experience of the markets in which the group conducts its business. There can be no guarantee that the group will be able to retain its executives and indeed 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 mostly members of the Executive Committee and responsible for managing regional businesses.

1.2.6.2. Risks relating to human resources

In addition to the risk of dependence on key executives described above, Human Resources management carries risks inherent in the structure of the group and in the property development sector. The concentration of a limited number of personnel within key group departments gives rise to 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 and this could create additional costs associated with the training of new recruits.

1.2.6.3. Risks relating to program management

Group programs may not generate the sales and financial results estimated when these 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, and the difficulties of putting in place appropriate management control procedures designed 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 only commits to developing a real estate program under certain conditions, in particular of reaching a pre-sale rate of 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. There is even less of a guarantee that the group's budget and financial modeling tools will help 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 the business. The group believes that the counterparty risk on trade receivables is limited because of the large number of customers and the fact that sales are always signed before a notary, generally after finance for the property purchase has already been secured.

Customer-related credit risks are managed by the agencies, supervised by Corporate headquarters. Due to the nature of its business, the group's exposure to client default risks is low. The aging of receivables is reviewed each month.

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, the impacts of which were felt in 2010 (particularly a reduction in sale prices), continue to pose a heavy risk that the group may have to cover their insolvency in the financing of such programs and, if 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 relating 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 extends from housing intended for the most modest incomes to very upmarket 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. Current litigation

Due to the nature of its business, the Company is exposed to legal action (civil, administrative, etc.) against it resulting primarily from structural and other defects in its programs, the failure to comply with certain legal or regulatory requirements, objections to building permits obtained, or any other type of action (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 has been made for these disputes, calculated on the basis of a risk assessment carried out by the group's Legal Department and its Senior Executives working together with the specialist attorneys in charge of the cases.

The most significant current legal proceedings are described in Section 4.1.5. "Statement of financial position – Liabilities" Note 23 "Provisions". The amount of the provision made in the accounts of Kaufman & Broad appear appropriate with regard to the assessments of these proceedings. Details of all the disputes, both provisioned and not, are only provided to a limited extent, since 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 governmental, legal or arbitral proceedings, including all proceedings, of which the Company is aware, which are pending or threatened and 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 past 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, under which the group benefited from an exclusive transfer of know-how and 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 process is described at 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 relating 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 sealing).

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 currently pending.

1.4.2. Principal investments

In the course of its real estate development operations, Kaufman & Broad makes many purchases for the establishment of its inventory and work 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 utilities connections, 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), which means that the contract immediately transfers to the title to the land; title to the building is transferred to the purchaser as and when the building is constructed. 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, the inventory of program work in progress is thus reduced as progress is made, per program, based on the forecasts (see Section 4.1.2. "General" rating Note 1.10 "Inventories").

Apart from these investments relating 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 and fittings in

its administrative buildings, purchases of furniture and office equipment, etc.). These investment flows relating to operations for the entire group amounted to €3.4 million in 2014 compared to €3.1 million in 2013 (€2.0 million net, in particular from the sale of the offices of the Grenoble agency for €1.3 million) and to €4.0 million in 2012;

- investments in acquisitions 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 acquisitions carried out by the group are described in Section 1.1.1.3. "Acquisition strategy";
- financial investments made by acquiring minority holdings (investments in jointly developed programs). These transactions are treated as financial assets and included in "Investments in affiliates and joint-ventures" in the group's balance sheet. The book value of the equity affiliates and joint-ventures corresponds to the share of net equity held. For the development business, this item includes 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.

The group made no major investment during the 2014 fiscal year.

1.4.3. Current and future principal investments

There are no significant ongoing investments.

The group does not exclude the possibility of continuing its policy of growth through acquisitions, provided that these also

meet the group's financial requirements criteria and its general strategy.

1.5. Main subsidiaries and affiliates

See in Section 5.3.4. "Organization Chart of the group".

1.6. Sustainable Development

Building homes and offices determines the setting and the quality of life of users, while at the same time creating a structure for regional planning. Since the building sector contributing close to 25% of domestic greenhouse gas emissions, the thermal performance of real estate is a strategic challenge in terms of meeting national reduction commitments in this field.

Aware that real estate development operations have strong social, societal and environmental repercussions, Kaufman & Broad publicizes information on the impact of its business and its societal commitments. The publication of non-financial information enables an assessment to be made of the Company's performance and its value creation levers. The gathering and centralization of information contributes to changes in the business model to increase sustainability and efficiency. Transparency requirements for companies in social and environmental matters now encourage them to involve all stakeholders in their strategy.

The group presents this information for fiscal year 2014 in compliance with Articles R. 225-104 and R. 225-105 of the French Commercial Code. In accordance with Decree 2012-557 of April 24, 2012, implementing Article 225 of Law No. 2010-788 of July 12, 2010 (known as the "Grenelle 2 Law") and Article 12 of Law No. 2012-387 of March 22, 2012 (known as the "Warsmann Law"), Kaufman & Broad audits and publishes some of its non-financial performance indicators for the current fiscal year.

The group has chosen to organize its Sustainable Development section by distinguishing between the various environmental, social and societal impacts 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 developer-builder, Kaufman & Broad is involved in the entire real property chain and guides the operation from design to sale:

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

The developer, in charge of the coordination of all the providers involved in the operation, thus has a complete vision of the program. This position gives the developer a role as arbitrator between the various interests and the responsibility of contributing, when completed, to the city's policy and the fight against global warming.

One of the specific characteristics of the property development business lies in the fact that, for some challenges, the group has a direct influence: on the selection of land or the criteria for building design and required certification – except in the case of the co-promotion – while, for others, it only has an indirect influence: the business practices on sites influenced by the criteria originally included in the specifications when works contracts are awarded, or the behavior of occupants of the buildings that can only be influenced by the arguments when they place their order and/or take delivery of the keys.

Kaufman & Broad has direct control over the impact of its administrative offices and sales spaces (onsite sales offices and five showrooms). But, above all, it is in its highly regulated real estate programs that the group faces a variety of societal and environmental challenges.

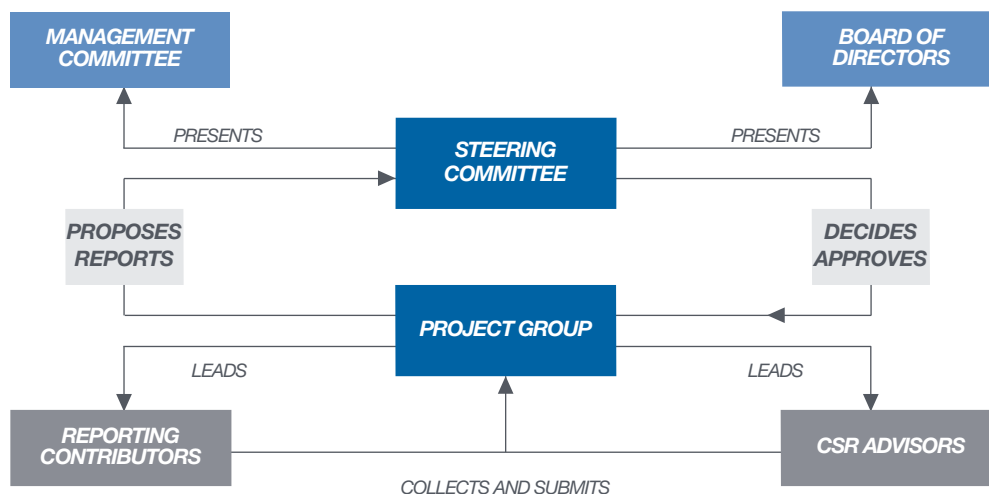
To go beyond legal requirements and formalize its strategy in this field, the group is in the process of drafting a charter of its commitments.

Organization of CSR at Kaufman & Broad

Kaufman & Broad has structured its internal organization in order to deploy its Corporate social responsibility (CSR) approach. In 2012, CSR management was centralized at headquarters to make it easier to manage the collection and processing of data for the purpose of external audit.

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

Organization dedicated to sustainable development



1.6.2. Environmental information

1.6.2.1. Land search risk management

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

Planning rules govern the profession of real estate developers. Their objective is to reconcile quality of habitat, protection of natural and cultural heritage with economic and demographic development.

In the 1970s, urban sprawl was considered preferable, 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.

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 concerning Solidarity and Urban Renewal (the SRU Law), the municipalities define Local Zoning Plans (PLUs) and the public entities for inter-municipal cooperation develop Territorial Coherence Schemes (SCOTs) which are required in several municipalities.

The PLUs and the SCOTs define the areas that are and may be urbanized and are thus strategically important for developers because they enable land for construction to be identified.

At the municipal level, land use in particular is governed by the current regulations 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 specific environmental features of land.

On the pieces of land that it buys for its programs, the group systematically conducts the preliminary studies required by current regulations. From a regulatory perspective, this upstream part of the group's business is heavily regulated.

The expansion of urban areas causes soil sealing and surface runoff, as well as loss of topsoil and space dedicated to agricultural activity. The construction of new programs impacts the natural runoff of rain and can cause pollution of aquatic environments, due to discharge of untreated storm water.

The management of storm water and the choice of the means of containment is studied early upstream, when outline plan is being prepared. When the building permit is being organized, sanitation departments or the city are consulted and studies of soils and permeability are carried out to determine the appropriate retention and foundation type. In compliance with the municipalities' rules in terms of volume and flow, an infiltration well or a watertight retention basin is created. In the case of discharge into the natural environment, a case report on Water protection law must be prepared. Surveys and tests of water quality are conducted in order to find out whether a cleanup is needed.

A retention basin on the surface can serve as a landscaped area, and contribute to landscape program integration, as is the case in Saint-Nom-la-Bretèche, in Mennecy.

Taking account of the site's construction history and the ecological balance

Soil and subsoil quality and pollution

Before purchasing any land, the group instructs specialized firms to conduct a study of soil and subsoil quality and pollution and the construction 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 analysis of the environment and implementation of depollution measures, particularly if the site is on soils at risk, such as clay or if the land is located on a brown-field site (see Section 1.2.4.8. "Pollution Risks").

The Kaufman & Broad Human Resources Department offers employees a series of training sessions on the environmental challenges relating to property development. In 2014, training on "Soil surveys: how to analyze a report," "Soil pollution" and "Project Owner's responsibilities in pollution-related matters" were offered to the staff.

Discovery of archeological remains

Any project may be affected by an archaeology protection measure. Depending on the program, the group asks the Regional Directorate of Cultural Affairs (DRAC) to guarantee that there are no archeological plans for the piece of land. This informs the developer about the opportunity to carry out preventive diagnostics. Depending on the risk, such information can be provided in advance, prior the signing of the agreement for sale, which contains a condition precedent on this subject.

If the DRAC believes that a precautionary diagnostic report is necessary because the land may contain archeological remains, the developer signs an agreement to conduct it. The diagnosis is carried out by an operator contracted by the group, the National Institute for Preventive Archeological Research or by a municipal service provider. If archeological remains are found during the diagnosis, excavations may be ordered by the regional curator. Depending on the outcome of the excavations, the project can be changed (type of foundations, construction or demolition mode, etc.) or the discovered remains may be classified as historical monuments, and preserved.

During the excavation works of the Cap Marine development in Antibes, the remains of a Roman aqueduct were discovered. In consultation with the city of Antibes, a solution was found and formalized by means of a sponsorship agreement. Special premises were built to exhibit and preserve all the discovered remains and to make them accessible to the public, see Section 1.2.4.6. "Risks related to the discovery of archeological remains".

The specific case of demolitions

With regard to demolitions, the project manager appoints a body to prepare the asbestos diagnostic report prior to signature of the contract of sale and before any works on the site. The asbestos diagnostic report helps to locate and analyze asbestos in the constituents and the construction equipment to enable consultation of businesses for the filing of the asbestos

removal plan with the Regional Directorate for Companies, Competition, Consumer Affairs, Labor and Employment. The Kaufman & Broad purchasing department then chooses a demolition company, which looks for a company specializing in asbestos removal, whose role is to submit an asbestos and lead removal plan to the Labor Inspectorate and the Regional Health Insurer.

If the building is being preserved, a lead diagnostic report is conducted to determine the presence of lead in paint or pipes and the risks related to it.

In 2014, 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 account of the environment and biodiversity in the choice of location

The 2007 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").

Any action involving the territory can generate effects on the natural environment. An impact study can be conducted in accordance with Article R122 of the French Environmental Code, or where it is not required, at the request of the mayor's office, in a land-clearing project or in relation to a program located near a zone of ecological interest (a Natura 2000 site or coastal areas, for example). When a risk to biodiversity is identified, different measures may be adopted: an exemption request may be filed with the Regional Departmental Directorates, the general layout plan can be modified to preserve the protected area (avoidance measures) or the compensatory measures reviewed by the Regional Directorates for the Environment, Planning and Housing (DREAL) may be implemented.

In urban development program zones (ZAC), the environmental aspect is particularly important and, as a result, an Environmental design firm is selected at the response for consultation and for the design phase. The YOU building in the Ile Seguin Rives de Seine ZAC in Boulogne Billancourt, certified to the French tertiary building standard, NF Bâtiments Tertiaires, démarche HQE® and BREEAM® and labeled "Effinergie + (Cep. RT 2012 -40%)" includes in its plans actions to promote biodiversity. Accordingly birdhouses (to house the blue tit, sparrow, the Eurasian nuthatch and the robin) have been set up among the willow trees, in the middle of the island. Semi-natural habitats suitable for finches and shelters for insects have also been created.

In 2014, the training "Major environmental constraints for project carriers" was offered to the employees.

Provisions and guarantees for environmental risks

Kaufman & Broad's purchase contracts are conditional. The conditions precedent include environmental risks that might arise after completion of soil studies so that, if applicable, consideration can be obtained from the seller. Within the legal framework of the sale options, Kaufman & Broad does not currently have any proven risk and no provisions and guarantees for environmental risks were recognized at November 30, 2014.

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 ensure that customers' investments are protected, even on resale. These requirements result in a quality of construction that is a guarantee of comfort and peace of mind for its customers.

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

Since late December 2014, the southwest regional headquarters have been located in downtown Toulouse, in the former church Notre-Dame des Grâces, which was officially deconsecrated in 2011. The Church was redeveloped jointly with Bâtiments de France, the city and the architect Pierre-Louis Taillandier. The stone and brick facades have thus been preserved and renovated, as were the piers and buttresses to support the arches around the cloister.

Compliance with environmental regulations and certifications

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

The 2012 thermal regulations (RT 2012) have already been implemented for commercial buildings since October 2011, and their application has been mandatory for new housing construction since January 1, 2013.

After Kaufman & Broad had anticipated the RT 2012, the group now prepares Energy Economy Certificate Cases to measure the thermal performance of its eligible programs. 10 case files were thus filed during fiscal year 2014.

In 2014, the "Keys to designing an RT 2012 building" and "RT 2012 basics" were offered to the staff.

Environmental initiatives and certifications for housing under construction

Among the 2014 housing starts, 23.11% were certified Habitat & Environment (H&E) or Qualitel. These certifications can be used to measure the current levels of technical and environmental quality and comfort of use of the building.

1.6.2.3. Mastering the landscape and environmental impact of programs

The group focuses on the landscaping of its programs. In single-family homes, the treatment of the entrances to programs and the green spaces are given special attention and every home is delivered with a private planted yard. The group's model homes are also available in several architectural styles to adapt to our customers' lifestyles and preferences. A landscaper frequently participates in the design phase of the program in order to incorporate the landscape into the program.

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 progress of the works and regulatory controls and the program's contractual compliance of the program. The construction work itself is carried out by construction companies. The group makes sure that they are current and in good standing administratively, based on their insurance policy certificates, Social Security contributions and entry on the Trade Register.

However, in some cases, Kaufman & Broad acts as project manager for "in-house" design and/or programs. This is usually the case for 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 for the design but also for the implementation and progress of the work.

Reducing the impact of construction on the environment

In order to respond to the environmental impact of construction, measures are taken at the design and implementation stages of the works.

Phytosanitary diagnostic reports are sometimes prepared by landscapers to check the health status of plants. Surveyors and architects then select locations for the buildings on the basis of this diagnosis, 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. For example, a surveyor was involved in the "Le Palama" program in Marseille. By including plants on the general layout plan, the surveyor helped lay out the two buildings in the program in a way that favors the preservation of old plant species.

Kaufman & Broad has two ways of commissioning its construction works: 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 the construction.

General contractors have more environmental expertise, in particular because of their size and therefore their structure. They often have their own internal charters and environmental commitments and personal on-site support to monitor their commitments. Kaufman & Broad thus prefers general contractors, which act as single points of contact for the developer for programs executed in a complex environment, such as in central 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 clauses of their contracts, and in the technical specifications or the administrative specification clauses.

The impact and disturbance of work sites, for residents as well as for 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 them to be taken into account by means of contractual clauses (community requests or certification rules) or through the group's proactive initiatives.

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 the disturbance and pollution that they generate. To define and manage the program, the group receives the support of an Assistant to the Project 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, etc.) for subsequent removal;
- complies with current regulations regarding noise pollution, while adapting 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 machines, for example with electric motors rather than 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 carry dirt onto the surrounding roads;

- includes in its specifications a clause banning the burning of materials onsite;
- encourages the storage of topsoil from the site so that it can be reused to create green spaces if the type of soil is suitable. This limits truck movements;
- ensures that the contractors involved respect the regulations on the processing of building waste. They are required by law to use specific containers and to sort and dispose of their waste at the appropriate treatment centers. At all our sites, waste sorting is required and is performed in-situ if the size of the site allows. On certified sites, sorting assessments must be done by the AMO. In demolitions, the 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 cases of sensitive environments such as proximity to a school, by specifically restricting access to the construction site;
- provides local residents with a mailbox in which to collect complaints and comments.

The environmental requirements are included in the contract file and the environmental objectives are monitored by the Construction Manager.

In addition, a guarantee retention or re-billing procedure enables the owner to require contractors to pay to repair any damage they may have caused, including environmental damage.

In 2014, the training "Low-pollution construction: keeping the construction site clean" was offered to our employees.

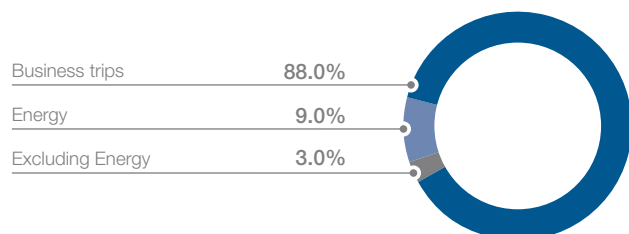
1.6.2.4. Administrative activity

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

The GIE Kaufman & Broad Greenhouse Gas Emission Assessment

The scope of the group's 2012 Greenhouse Gas Emission Assessment (BEGES) covers all the activities of the GIE except for property companies managed by the GIE. The properties concerned by the BEGES are the offices and premises of the agencies, 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.

The BEGES showed that 88% of greenhouse gas emissions come from travel (which include business travel and commuting). In second place, with 9%, was Energy, which includes IT (representing nearly 43% of energy emissions) heating, cooling, ventilation and lighting). The line "Excluding energy" (3%) concerns the leakage of refrigerants contained in air conditioning facilities.



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>

In 2015, Kaufman & Broad will conduct its next BEGES, for 2014.

To analyze the line showing the most emissions, the group carried out a special assessment of the business travel of its employees, which is presented below.

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 2014, the group decided to assess greenhouse gas emission for all the business travel of its employees. The analysis was done for the "combustion" line for the business trips made with company cars, employees' personal vehicles, by train and by plane. The emissions calculation method has changed compared to fiscal year 2013 so that it only took into account the "combustion" line item. Overall, approximately 1,360 tons of CO₂ equivalent emissions in 2014 were for business travel. Vehicles were the main CO₂ emitter, with 91%.

(in tons of CO₂ equivalent)

Carbon emissions

Entity	Number of employees concerned	Plane	Train	Company vehicles	Personal vehicles (map TOTAL)	Personal vehicles (mileage allowances)	Total personal vehicles	Total	Distribution
Anney	14	0.6	0.003	58.1	-	5.7	5.7	64.4	4.7%
Bayonne	16	4.3	0.002	34.4	-	3.2	3.2	41.9	3.1%
Bordeaux	34	0.0	0.012	57.4	6.1	3.2	9.3	66.7	4.9%
Grenoble	15	-	0.031	10.9	2.6	4.3	6.9	17.8	1.3%
Lille	7	0.2	0.031	8.7	8.4	0.3	8.7	17.7	1.3%
Lyon	36	2.5	0.173	39.0	-	7.6	7.6	49.2	3.6%
Marseille	53	10.1	0.101	93.3	-	27.2	27.2	130.7	9.6%
Montpellier	25	4.9	0.013	54.1	-	21.6	21.6	80.6	5.9%
Nantes	41	2.8	0.190	67.4	0.7	14.1	14.7	85.1	6.3%
Neuilly	284	47.0	0.414	301.8	31.5	97.9	129.4	478.5	35.2%
Nice	23	5.6	-	28.5	-	12.8	12.8	46.8	3.4%
Rennes	3	-	0.008	-	-	4.0	4.0	4.0	0.3%
Rouen	3	-	-	-	-	2.0	2.0	2.0	0.1%
Toulon	33	8.6	0.004	80.0	3.1	13.1	16.2	104.8	7.7%
Toulouse	69	30.0	0.011	116.3	0.6	22.2	22.9	169.2	12.4%
Total	656	116.5	0.994	949.8	53	239.3	292.2	1 359.5	100%

Type of transportation	TeqCO ₂	Distribution
Car	1,242.07	91.4%
Train	0.99	0.1%
Plane	116.45	8.6%
Total	1,359.51	100%

Reducing our paper consumption and energy bill

Total print volume^(a)

(in thousands of pages)

	2014	2013
Black and white photocopies	3,570	4,073
Color photocopies	4,825	5,137
Total	8,395	9,210

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

In 2011, the IT Service Department (DSI) conducted a diagnostic analysis of printing practices at headquarters and throughout the group. The findings of this analysis highlighted the total breakdown 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 resulted in an oversupply of equipment that created costly waste for Kaufman & Broad.

Following this analysis and starting in August 2012, print management was reorganized and is now centralized within IT Services.

In order to streamline the offices, in 2012, Kaufman & Broad also began to modernize its stock of copiers, to renovate and standardize it. 74% of the MFP (multifunction printers) stock 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 environmental impact of group administrative activities and to empower employees, best practices have been implemented throughout the new stock, 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 group decided to virtualize its stock of computer servers. The project was launched in late 2010 and today, more than 78.1% of the server stock has been virtualized. This project has resulted in a reduction in electricity consumption, which has been divided by ten (for the cloud part), and in reduced investment in equipment.

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

The group also started using paperless works progress reports and documents for Committee meetings, in a scoping test.

Aware of the significant share of transport in its greenhouse gas emissions, the group is looking for new ways to communicate and work, specifically through the use of digital tools. Since 2009,

Kaufman & Broad has been using a videoconferencing system in most of its sites. The group thus encourages employees to favor videoconferencing in order to limit their business travel.

Recycling paper and computer equipment

The whole group also recovers and recycles computer equipment. Recycling is organized in cooperation with two bodies, one of which is engaged in the New Life program for the processing of used consumables to avoid the grinding, incineration, dumping and landfill of waste. Used cartridges are collected by an organization and then the components are recycled to manufacture products in a process guaranteed by the "No Waste Solution by Revalis" label, certifying that all the raw materials have been reintroduced into 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 standardized the use of recycled cartridges in the laser printers for which this was possible.

In addition, the agencies in Lyon, Marseille, Nice and Toulon introduced paper sorting so that it could be recycled. According to the selected service providers, waste is crushed and sorted by workers with disabilities as part of a process of integration through employment.

Other agencies are now looking into waste and paper recycling and are considering the introduction of a sorting process in the near future.

Light pollution and water and electricity consumption by the agencies

The group's head office in Neuilly-sur-Seine, refurbished by Kaufman & Broad, is equipped with infrared light detectors to optimize power consumption. Similarly, 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, it has started monitoring the agencies' water and electricity consumption.

Agency	Average number of employees ^(a)	Water consumption (m ³)	Electricity consumption (kWh)
Annecy	13.42	13.00	8,368.85
Bayonne	18.92	195.58	62,531.06
Bordeaux	32.17	75.00	75,799.09
Grenoble	7.42	74.00	7,873.07
Lille	7.17	-	11,808.98
Lyon	39.33	247.00	70,326.00
Marseille	60.33	327.00	126,361.68
Montpellier	27.08	148.80	32,649.74
Nantes	34.75	203.00	55,520.13
Neuilly	343.75	3 293.09	867,994.00
Nice	21.00	237.50	65,664.00
Rennes	2.25	12.00	5,178.51
Rouen	2.33	-	-
Toulon	32.00	294.00	129,237.00
Toulouse	79.83	1,275.98	150,337.52
Total	721.75	6,395.96	1,669,649.64

(a) 2014 calendar year.

1.6.3. Employment and related information

At December 31, 2014, the group employed 717 people, 387 women and 330 men, through an Economic Interest Grouping (GIE) that has covered all the group entities in France since January 2008.

Employees are assigned to group companies depending on their staffing requirements. They are divided among several teams responsible for land purchase, program design, calls for bids, engineering, administration, management and supervision of the construction, marketing, sales, customer service, financing and administration of the group. The costs of assigning employees are distributed by legal entity, based on the volume of business generated by each entity of the group.

Analysis of the average number of operational staff at December 31, 2014

Land development	70
Programs	86
Technical & Customer Service	203
Marketing/sales	177
Regional support functions	80
Corporate support functions	101
Total	717

Workforce by entity at December 31, 2014

KB SA	123
Commercial Property	11
Île-de-France	204
Nantes	36
Rennes	3
Rouen	1
Lille	9
Lyon	41
Grenoble	7
Annecy	11
Nice	21
Toulon	31
Marseille	59
Montpellier	26
Toulouse	83
Bayonne	18
Bordeaux	33
Total	717

Workforce by age at December 31, 2014

Under 25	14
25 to 30	81
30 to 35	127
35 to 40	118
40 to 45	105
45 to 50	93
50 to 55	89
55 to 60	61
Over 60	29
Total	717

1.6.3.1. Workforce and New Hires

1.6.3.1.1. Potential Recruiting Problems

In 2014, Kaufman & Broad hired 54 managers, 18 employees and 17 salespeople, including 69 on open-ended (CDI) employment contracts and 20 on fixed-term (CDD) employment contracts for the various functions of the group. Of the 89 employees hired, 31 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 15 people out of an average workforce in the calendar year of 722 people.

Amicable terminations

In 2014, 30 people left the Company by mutual consent, in accordance with the statutory provisions introduced since July 2008.

Turnover rates

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

In 2014, the recorded turnover rate was 14.8%.

1.6.3.1.3. Temporary Workers

Temporary workers accounted for only 4.88% of the workforce, representing the equivalent of 35.3 full-time employees. Temporary staff worked an average of 14.4 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 No. 2000-37 of January 19, 2000 relating to the reduction of working hours, as amended by Law No. 2003-47 of January 17, 2003 concerning salaries, working hours and job creation, the Kaufman & Broad Economic Interest Grouping (GIE Kaufman & Broad) has negotiated a new framework for working hours with the representative trade unions. The working hours agreement was signed on November 7, 2006 and came into force on January 1, 2007 for an indefinite term. A supplemental agreement dated December 20, 2007 clarifies the position with regard to the possible carry-forward of leave linked to working hours management.

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

- non-managerial employees and office-based managers work an annual 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 them two further days' paid leave per year in addition to the statutory public holidays;
- non office-based managers' working hours are fixed and calculated on a yearly basis and represent 216 days worked per calendar year.

Senior managers, i.e. staff whose responsibilities are such that their schedules need to be flexible and who have autonomous decision-making power, are not subject to the working week regulations.

These are grade 6 senior managers as defined in the Collective Bargaining Agreement to which the parties to the agreement refer.

1.6.3.2.2. Working hour for part-time employees

The group has 29 part-time employees, 17 employees, 10 managers and 2 salespeople. Most of these people work four-fifths time, mainly on parental leave.

In addition, 32 employees are entitled to work-life balance related flextime.

1.6.3.2.3. Overtime

Managers and sales representatives make up 72.2% of the group's monthly number of employees. group had no need for overtime in 2014.

1.6.3.2.4. Absenteeism

Absenteeism by reason ^(a)	2014
Sick leave ^(b)	2.62%
Workplace and commuting accidents	0.09%
Maternity leave	0.80%
Family events	0.30%
Total	3.81%

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

(b) Sick leave calendar days are counted as 7-hour days.

1.6.3.3. Compensation

1.6.3.3.1. Average compensation

Employee compensation consists of a fixed base salary plus a variable portion related, in particular, to the business conducted and the tasks performed.

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

The compensation of Corporate Officers is described in Section 3.2. "Directors' interests".

Average annual compensation^(a)

(in €)	2014			2013		
	Men	Women	Total	Men	Women	Total
Employees	49,959	38,380	40,721	53,697	39,913	42,776
- basic salary	22,664	26,161	25,454	25,058	26,473	26,179
Managers	84,703	57,423	74,660	82,961	58,769	74,436
- basic salary	60,537	44,845	54,759	58,901	45,116	54,043

(a) Average annual compensation of employees with the Company at December 31 of each year.

Payroll taxes recognized in the accounts under compensation for fiscal years 2013 and 2014 were €21.7 million and €21.6 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-managerial employees, 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 the trade union organizations entered into an agreement on November 18, 2011:

- of the eight areas of action defined by the legal framework, three were selected, relating 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 training managers for change;
- the balance between work and private life will be developed by encouraging working time arrangements: placing restrictions on meeting times, developing respect for vacation or rest time, promoting discussion of this topic during annual performance reviews.

All of the above points are subject to goals and monitoring indicators that are 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 by female managers.

1.6.3.3.4. Generation contract

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

Pursuant to the provisions of that Law and its implementing decree, companies with at least 300 employees which, from October 1, 2013, are not covered by an action plan or Corporate agreement regarding intergenerational employment, are subject to a financial penalty set by the 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 relating to intergenerational employment for a three-year period. This agreement and the diagnostic report on the employment position of younger and older employees were filed with the Direccte of Hauts-de-Seine and with the registrar of the *Conseil de Prud'hommes* (Labor Tribunal) in Nanterre. The provisions of this agreement were approved by the administration in the absence of a response within the three weeks following the date of filing.

By this agreement, the senior managers and Corporate Officers of GIE Kaufman & Broad reaffirmed the commitments initiated (i) as part 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) as part of the agreement on professional equality between women and men of November 18, 2011.

The implementation of the commitments in this agreement was launched after the completion of a diagnostic report into the position of young and older employees in the Company, and after an analysis of the prospects for recruitment linked to estimates of retirements in the next three years.

The agreement defines:

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

At December 31, 2012, the Company employed 101 young people under 30 on open-ended (CDI) employment contracts and 8 on fixed-term (CDD) contracts. The Company committed, over the three-year period 2014-2015-2016, to hire 35 people under 30 years of age, to maintain a minimum of 15% of young people on CDI contracts while encouraging workplace 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 in anticipation of requirements. The Company has set itself the objective of training a number of young people in work-study programs, equal to at least 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 December 31, 2012, employees over 55 years of age were 9.4% of total payroll. The Company is committed to maintain the percentage of employees aged 55 and over at 10% of its workforce during the term of this agreement, and to fight against age discrimination by refraining from considering this factor as one of the hiring criteria. The working conditions of older employees will be adapted to their situation, to best reduce any hardship.

The Company also undertakes to anticipate professional developments and to identify the Company's key business positions. It undertakes to continue to offer second-half career interviews to employees over the age of 45, 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 put in place. If the organization allows it, employees can reduce their working time by up to 20% during the last two years before taking their retirement while still maintaining a level of contributions to supplementary pension plans on the basis of full-time work, with the additional contribution for the preservation of these rights paid by the Company.

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

The transmission of know-how and proper attitudes will rely on older employees being identified as mentors and on the

provision of guidance by them to the young employees. In addition "feedback interviews" will be organized for employees, two to three years from retirement, to organize in advance the transmission of knowledge and the sharing of experience, if necessary.

Each year, the intergenerational employment agreement will be subject to an assessment by updating the data mentioned in the diagnostic report, 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.

All of the above points are monitored with the help of indicators that are presented to employers and unions once a year.

In terms of younger employees, in 2014 31 people under 30 were hired and at December 31, 2014, 95 people under the age of 30 were employed, of which 58 managers, 21 employees and 16 salespeople, i.e. 13.2% of the workforce.

At December 31, 2014, the group had 90 older employees, aged 55 and over, of which 49 managers, 27 employees and 11 salespeople, representing 12.6% of the workforce.

In accordance with the provisions of the agreement currently in force, second-half career interviews were offered to employees aged 45 and over, representing 38% of the workforce. In 2014, 5 people had such an interview.

1.6.3.3.5. Labor relations and collective agreements

Employees elect 16 members of employee representative organizations (7 managers and 9 non-managers). These employee representatives were appointed after the elections in 2014.

1.6.3.4. Collective Bargaining Agreements

Kaufman & Broad applies the National Real Estate Developers Collective Bargaining Agreement.

1.6.3.4.1. Health and safety conditions

In 2014, there were a total of 7 workplace accidents, 3 of which resulted in the stopping of work resulting in 33 lost days, i.e. a frequency rate of 2.28 and severity rate of 0.025.

In 2014, there were a total of 4 traveling accidents, 3 of which resulted in the stopping of work, resulting in 14 lost days.

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

Safety training sessions are organized 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 at the request of the management or employee representatives. In 2014, the Committee met 5 times.

1.6.3.4.2. Training

Kaufman & Broad defines and annually updates its training policy. The purpose of the established training plan is to maintain and develop the employability of employees and to 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 presented plan.

A total of €1,008,000, i.e., 2.08% of total payroll, was spent on training in 2014.

In 2014, 353 people received training (181 women and 172 men) and the number of registered courses totaled 645. In 2014, the Company provided 7,400 hours of training, 3,407 for managers and 3,993 for employees. In 2014, the employees received training in the fields of office equipment, businesses, personal development (management, communication, etc.), workplace safety/first responder and the Company paid the educational costs for employees on work-study contracts.

The Company signed 32 apprenticeship or qualification contracts in 2014.

1.6.3.5. Employment and integration of disabled workers

The group employed 10 disabled workers in its various entities in 2014.

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 2014 amounted to:

- €1,469,000: additional insurance and health care coverage;
- €715,000: catering expenses;
- €327,000: payment to Works Councils.

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.

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 either belonging 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 enters into 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

The Kaufman & Broad group is located in Île-de-France at Neuilly-sur-Seine. In the Regions, the group is located in Annecy, Bayonne, Bordeaux, Grenoble, Lille, Lyon, Marseille, Montpellier, Nantes, Nice, Rennes, Toulon and Toulouse.

In three years, the group's workforce numbers have remained stable, rising from 721 at end-2012 to 735 at end-2013 and falling to 717 at end-2014.

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

Mobility charter

In the first quarter of 2011, the group established a mobility charter to offer support in times of change and to define aids to geographic mobility. The financial support arrangements for mobility have since been updated annually. These can be consulted by company employees on the intranet site, KB-in.

1.6.3.9. Employee representatives and trade unions

The union organizations are represented in GIE Kaufman & Broad by three union delegates: one from *Force Ouvrière* (the national union of caretakers, concierges, and real estate employees); one 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 one from the salaried employees union, the BTP (CFTC).

1.6.3.10. Company savings plan

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

The "Kaufman & Broad Actionnariat" FCPE is operated by:

- Humanis Gestion d'Actifs, as the plan's Asset Management Company;
- Caceis Bank France, as custodian of the securities in the plan;
- Inter Expansion-Fongepar, whose mailing address is 46, rue Jules Meline -53098 Laval Cedex 9.

This Fund 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, nominated by the Company's 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 operation of the FCPE and on the earnings at least once a year;
- exercise the voting rights attached to the securities in the Fund (which may submit resolutions to Shareholder's Meetings);
- approve amendments to the regulations of the FCPE.

The Supervisory Board elects a Chairman from among 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 tied vote, the Chairman of the Supervisory Board, elected from among the members of the Board representing the unitholders, shall have the casting vote.

The number of shares held by the "Kaufman & Broad Actionnariat FCPE" at November 30, 2014 is described in Section 5.3.1. "Shareholders of the Company at November 30, 2014 and the change over three years".

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. Note that, at December 31, 2014, the group employed 9 employees of foreign nationality, since 10 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 in-house practices, Kaufman & Broad has prepared 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 of and compliance with the applicable rules; the prohibition of any form of discrimination and harassment, the avoidance of any conflict of interest situation or of holding a second job, penalties for insider trading, the duty of confidentiality, the eradication of corruption (bribes, gifts, etc.).

Our company policy on insider trading was introduced in 1990 and all our employees were reminded about this in a recent note. In particular, it sets out recommendations concerning violations of the rules on insider trading and the treatment of privileged information. In 2011, a compliance officer was appointed to coordinate these areas.

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 confidence – any potential or proven violation of the Law or company policy.

In addition, Kaufman & Broad began the process of formalizing its Sustainable Development strategy with the drafting of a Charter of commitment and good practices, which we expect to publish in 2015.

Prevention of undeclared work

When a construction contract is signed, the developer (the principal, with respect to the contractors) is obligated, under Article L 8222-5 of the French Labor Code, to request its co-contractors to deliver to it a list of documents, and to continue to do this every 6 months until the end of performance of the contract.

The group fulfills its verification and enforcement obligations with respect to the contractors in accordance with its regulatory obligations.

A framework agreement was signed with a platform to facilitate the collection, verification and archiving of the documents necessary for the approvals, the insurance cover and those documents required in the fight against undeclared work.

Centralized procurement

For several years, Kaufman & Broad has been engaged in a process to centralize its procurement and to standardize its procedures for the selection of suppliers, at group level. This centralization enables us to develop long-term relationships, with suppliers signing a framework agreement with the group. For Kaufman & Broad, centralized procurement 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 products it wants, on the basis of a certain number of criteria such as ethics, certifications, origin and product safety. Centralization enables us to work with counterparties at a national level which are committed to environmental problems because they have greater exposure as a result of their size.

The procurement centralization policy applies only to finishing work, since management of major works currently falls within the competence of each agency. After each delivery, a survey sheet is sent to each agency to ensure compliance with the purchasing policy.

Processing calls for tenders

Kaufman & Broad has gradually been implementing a paperless process for handling calls for tenders, via an electronic platform that enables tender documents to be filed online. Already in use as a pilot project in some agencies, the aim is to extend its use to all our 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 by its suppliers, Kaufman & Broad has, since November 1, 2013, been introducing a rating system that it uses in the selection of suppliers, partners or affiliates and for the signature of contracts in calls for tenders. The use of financial ratings is intended to ensure the soundness 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 fiscal year 2014, the top ten suppliers accounted for 23.5% of flows invoiced by suppliers, compared to 22.6% in 2013, and the leading supplier represented 5.7% of flows, compared to 7.3% in 2013.

1.6.4.2. A customer service strategy

1.6.4.2.1. Developing customized and accessible offers

Ease of home ownership

Starting in 2008 and in the context of the housing crisis and the economic downturn, Kaufman & Broad saw its customer base change and adapted its offer accordingly, to provide affordable housing, of the same quality. From 2009, the group has refocused its housing offer towards first-time buyers and to investors, by offering more compact and functional products while maintaining the useable floor area.

Nearly a quarter of Kaufman & Broad's customers are first-time homebuyers. To give these customers easier access to home ownership, the group has, since 2011, been developing affordable housing, sold at prices that are 20% lower 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. By developing programs in the inner suburbs, but always connected to city centers by public transportation, Kaufman & Broad is able to have an affordable offer which meets the financial and tax profitability criteria of investors and the affordability criteria of first-time homebuyers. The design of these houses, which are RT 2012-compliant, improves on traditional components while still respecting Kaufman & Broad's quality standards. The group uses flat land, which does not require special foundations, and outside parking, which helps reduce construction costs. 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 New'R program in Nantes, for example, includes affordable housing units.

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 buyers based on housing orders (number)^(a)

	2014	2013
Investor ^(b)	36.6%	38.3%
Block	33.6%	25.8%
First-time homebuyer	22.7%	27.4%
Second-time homebuyer	7.1%	8.5%
Total	100%	100%

(a) Including joint-ventures.

(b) Including Scellier/Dufflot.

Responding to new needs

Kaufman & Broad is sensitive to the comfort and well-being of its customers and has incorporated into its strategy a series of social and societal concerns relating to the living environment, the quality of life at different ages, the accessibility of housing and its scalability. The group also diversifies its business activities into serviced accommodation for seniors and students. With their specific characteristics, these activities are a growth opportunity for the group.

According to the INSEE's forecasts for 2015, more than 24% of the population in France will be over 60, of which 9.3% will be over 75, representing close to one fourth of the population. The group has developed two innovative solutions to meet the needs of a population whose life expectancy is rising and who predominantly wishes to remain independent at home.

The Silver residence, serviced accommodation for seniors, offers housing both for purchase and for rent, at affordable prices. Designed to evolve in accordance with the needs of their occupants and to anticipate the loss of independence, these fully adapted housing units are designed near shops, transport and facilities, in a secure environment. This serviced accommodation is staffed with caretakers and also provides optional services such as dining facilities, and for some daily housekeeping. The first Silver residence, Pinpirina, was built in the Caradoc district in Bayonne. Residents have access to common parts, including a shared lounge, a yard and a terrace, as well as the services of a caretaker, who manages the building and organizes activities.

Pack Silver, launched in June 2014, extends the option for customers to add services and equipment in their housing units to a large proportion of the group's new programs. By preparing people for the possibility of becoming less self-sufficient, this offer enables them to plan to remain in their homes in the long term. Non-stigmatizing adjustments, aimed for example at fall prevention (grab bars, lighted paths, no protruding door thresholds, etc.) make life easier, by providing comfort and safety. Pack Silver promotes generational diversity by offering customers the choice of whether to add these amenities when purchasing their home.

A Managed accommodations director was hired in 2013 to support the agencies and to liaise with the managers.

1.6.4.2.2. Raising customer awareness about Sustainable Development

Through feedback from the marketing of real estate and customer service, Kaufman & Broad listens to the concerns of its customers so that it can better meet their expectations and provide the best product. On these occasions, the group can also raise their awareness of the challenges of Sustainable Development and the choice of materials as well as the 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 assess the energy efficiency of housing. It comes in the form of an official standard document and must be conducted by a certified professional, on the initiative of the home seller. The DPE is valid for 10 years and is produced with regulatory software, which issues an energy and climate label at the end of the diagnosis. Since January 1, 2011, energy-guide labels are mandatory in real estate transactions.

The DPE enables housing to be ranked on the basis of ecological criteria. It provides added value for the purchaser, since 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.

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 its responsibility and makes available to them all its know-how and commitment, and continues to do so well after the handing over of the keys.

Beyond compliance with regulations, the actual energy performance of buildings depends, in fact, 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, clogged vents or an outside wall may contribute to cancelling out the good energy performance of buildings.

This behavioral factor takes on 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 practices" for use of the building) when our housing is delivered.

For our programs certified "Habitat & Environment" (H&E), a *Livret Gestes Verts* which is a specially prepared booklet describing the environmental features of the building and the home, as well as good practices that should be applied every day.

Educating customers about the choice of materials

Currently, much of the activity of the showrooms (the place of choice for customers planning the fixtures and amenities for their homes) is centered around the floor, which is one of the concerns of customers and which the group considers is an important environmental challenge. 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 works with suppliers to use wood certified to PEFC (Program for the Endorsement of Forest Certification) standards.

The PEFC label promotes sustainable forest management. It guarantees that the wood is from a renewable source and that the certified forest owners and operators have committed themselves to technical specifications that include water conservation and the protection of soil, fauna and flora.

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

1.6.4.2.3. Kaufman & Broad customer support

Personalized follow-up with each customer

Whatever its size of its program, Kaufman & Broad offers the same services and benefits to its customers. Kaufman & Broad's customer service combines everything from sales management to after sales services.

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 by topic. 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, pitch book, etc.).

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

Following the delivery of their home, customers participate in an online satisfaction survey, the results of which are communicated to the Program directors.

Meetings are then organized between sales service teams and the production teams to analyze any technical issues raised by customers and to correct them early in the project (design, production).

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, as far as this is possible, consultation meetings with residents to discuss the progress of the program and to inform and take account of their requests. These meetings enable possible tensions to be defused by answering residents' questions. These meetings are like debates where all points of view are expressed, and all the documents are distributed to everyone present.

For the Gratentour program, Kaufman & Broad, and the office of the mayor arranged a meeting with local residents which enabled the program to be modified to take account of the needs expressed. Located in a residential suburban and rural area, this high-density program, with housing initially designed as street-level floor +1, but local residents expressed objections, so Kaufman & Broad changed part of the program to street-level houses and modified the proposed separation boundaries. The group was also able present and exchange views on the choice of vegetation for separation boundaries at meetings with local residents.

Summary preventive procedures

It is also almost standard practice for Kaufman & Broad to set up a summary preventive procedure, usually voluntary, for any program launched in a densely populated 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 enables local residents to note any damage or nuisance caused by the construction, and for corrective action to be taken.

In addition to these legal processes, the group took additional measures to ensure the proper conduct of operations. Indeed, during the course of construction at some sites, local residents have available the phone number of a member of the group to report any nuisance. In addition, for some programs, a cleaning company is recruited to clean the program's surrounding area on as weekly basis.

1.6.4.3.2. Sustainable involvement with communities

Regional impact on employment and development

Program location is selected based on quality-based criteria, such as land quality, availability of public utility networks and transport facilities, shops and services. Programs are designed in close consultation with the communities, and mindful of with city policy. The phasing of programs may be linked to the opening of new public services or facilities. For example, the Harmonia program in Velizy-Villacoublay includes a school on the ground floor.

The group also contributes to the financing of public facilities by means of urban planning taxes and through Urban Partnership Projects. For example roundabouts were built as part of our programs in Villepreux and Le Perray en Yvelines.

As a builder-developer, Kaufman & Broad participates in job creation and school-to-work and back-to-work transition in the regions in which the group operates. Through back-to-work clauses, some of the lots are partially built by people with little access to work or experiencing difficulties in returning to work. Back-to work clauses, for example, were included in the contracts for the Fil'Harmony program in Villeurbanne.

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 2014 the Kaufman & Broad group made donations amounting to €55,000 to sponsorships. In particular, at end-2014 Kaufman & Broad became a sponsor of the Palladio foundation and joined the Board of auditors for the 2015 cycle "*La ville demain pour quelles valeurs?*" (What values for the cities of tomorrow?). The *Institut Palladio* aims to provoke thought and discussions among all urban developers and stakeholders.

Some agencies also participate occasionally in employee-led initiatives. The agency in Lyon, for example, signed a sponsorship agreement with the Laurette Fugain association, which fights against leukemia. On September 21, 2014, 12 employees participated in the canoe-kayak race on the Saône to support the association. This event helped raise awareness among employees of the importance of platelet and bone marrow donation.

Non-financial indicators

	Indicators	Comments	Unit	2014	2013
Equal Opportunities	Women managers	Out of the number of managers	%	35.6	35.0
	Women senior managers	Out of the number of senior managers	%	17.6	17.4
	Difference in the average salary of women managers	Compared to the average salary of men managers	%	(32.2)	(29.2)
	Difference in the average salary of female employees	Compared to the average salary of male employees	%	(23.2)	(25.7)
Training	Employees who received training	In the average workforce for the calendar year	%	48.9	69.9
	Amount spent on training	For the annual total payroll	%	2.1	1.7
	Hours of training	All types of training	number	7,400	7,646
	Apprenticeship or qualification contracts	Active contracts at December 31	number	43	39
Disabilities	Employees with disabilities	-	number	10	7
Work life quality	Rate of absenteeism (all reasons for absenteeism)	Number of hours absent/theoretical number of hours worked	%	3.81	3.59
	Employees with flexible work schedules	To achieve work/life balance	number	32	20
Health and Safety Conditions	Workplace and commuting accidents	Employment contract	number	6	9
Intergenerational employment	Employees aged 55 and over	Out of the number of employees at December 31	%	12.5	11.4
	Employees aged 30 or lower	Out of the number of employees at December 31	%	13.3	14.5
Terminations	Termination rates (for reasons concerning the individual)	Out of the average workforce for the calendar year	%	2.1	1.8
	Contractual termination rates	Out of the average workforce for the calendar year	%	4.15	3.16
Employment relations	Negotiated collective agreements in force	-	number	11	10
	Turnout at the last Works Council election (2009)	Number of Voters/Number registered (2 nd Round)	%	32.9	42.3
Social Initiatives	Contributions to charitable work	Share of revenues devoted to charitable work	%	0.001	0.21
Sustainable use of resources	H&E and Qualitel certified homes under construction	Out of all homes under construction	%	23.11	20
Social housing	Share of social housing ordered	Out of all housing ordered (including JVT)	%	29.0	14.8
CO₂ emission	Company car emissions	Average emissions per company car	Teq CO ₂ e	3.8	-
	Business trip-related emissions (car, train, plane)	Average emissions per employee on a business trip	Teq CO ₂ e	2.1	-
Energy consumption	Water consumption	Administrative activities (excl. worksites)	m ³	6,396	6,455
	Electricity consumption	Administrative activities (excl. worksites)	kWh	1,669,650	1,854,429
Paper	Paper consumption	Annual paper consumption for photocopies	thousands of pages	8,395	9,210

Cross-reference table for the Sustainable Development section

Indicators of Decree No. 2012-557 of April 24, 2012 on companies' transparency obligations regarding social and environmental matters, 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 problems 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./1.6.2.2./1.6.2.3.
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	1.6.2.4.
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.
Adapting to the impact of climate change	1.6.2.1./1.6.2.2./1.6.2.4.

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 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	1.6.3.2.4.

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.
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.

f) Promotion and enforcement of provisions of the fundamental conventions of the International Labor Organization 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 relating to societal commitments to support 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./1.6.4.3.2.

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

Account taken of social and environmental problems in the procurement policy	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

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

e) Other action taken under societal commitments to Sustainable Development, to promote human rights

1.6.3.11.

Methods used in Kaufman & Broad's non-financial reporting for fiscal year 2014

Indicators used

Kaufman & Broad's non-financial reporting is based on:

- Article 116 of the NRE (New Economic Regulations) Law of 2001;
- Article 225 of the Grenelle 2 Law of 2010 and its implementing decree no. 2012-557 of April 24, 2012.

The indicators selected are a reflection of the main challenges and risks faced by the group in relation to the environmental, social and societal impact of real estate developments. These indicators were defined in accordance with the topics referred to in Article R. 225-105-1 of the French Commercial Code and the Human Resources Report.

Non-financial reporting scope

Group scope of consolidation:

The scope is the same as for the Consolidated Financial Statements prepared by the group, which fully consolidate the financial statements of companies over which Kaufman & Broad holds direct or indirect control. The non-financial data used in the reports are those of 250 fully consolidated companies, including real estate partnerships (SCIs), construction/sale companies (SCCVs) or commercial partnerships (SNCs) with a property development program over which the group has direct control (environmental certificates, labels, energy consumption, etc.)

Exclusions:

The 48 jointly controlled companies and those over which the group exercises significant influence are accounted for using the Equity method: real estate partnerships (SCIs), construction/sale companies (SCCVs) or commercial partnerships (SNCs), which are special purpose vehicles with property development programs.

Non-financial indicators scope of coverage and reporting period:

We use two scopes for our non-financial reporting depending on the indicators.

The human resources data cover the Economic Interest Grouping (GIE). They are gathered on a calendar year basis – from January 1 to December 31 – in order to ensure consistency with the Human Resources Report.

The indicators related to our business activities (environmental and societal data) are accounting-period based – from December 1 to November 30.

As a non-builder developer, Kaufman & Broad assigns construction work to third-party contractors from a variety of trades. In the construction phase, the group's liability is therefore small.

Specificities and changes in scope:

The non-financial data scope of consolidation follows that of the Kaufman & Broad's group Consolidated Financial Statements. That scope varies depending on the companies in which Kaufman & Broad hold direct or indirect control. There has been no material change in fiscal year 2014.

Methods

The indicators with specific features are presented in detail below.

Social indicators:

- social reporting is based on the registered number of employees;
- the registered number of employees does not include trainees, those under apprenticeship agreements, professional development contracts or temporary employees;
- the new hire and termination figures include the Corporate officer.

Calendar year new hires

The employees whose contract was re-qualified during the reporting period are only recognized once in the entries, based on their initial contract.

Total hours of training

Total hours of training include the hours invoiced to the group and charged to budget for training Individual training leave is therefore not included, unlike the individual right to training, which is now a Personal Training Account. Apprentices' hours are not included because apprentices are included in the headcount.

Absenteeism by reason for the calendar year

Parental leave is not included under absenteeism.

Number of employees who received training (by gender)

Each employee is counted a single time in the employees trained figure, even if such employee had more than one training in the calendar year.

Environmental data:

Share of certified housing under construction

The data included are Habitat & Environment certification requests by social housing lessors for our housing under construction, except for joint-ventures and except for programs for which technical monitoring is provided by Akerys. The Habitat & Environment certification can be used to measure the current levels of technical and environmental quality and comfort of use of the building. Among the Equivalent Housing Units starts in the fiscal year we identify that share that has such certification based on the contracts signed with the certifying body.

Greenhouse gas emission related to business travel

The inventory of carbon emissions linked to business travel was prepared in-house for all employees of the group and included the trainees, those under apprenticeship contracts, under professional development contracts and the temporary employees; this was done to obtain a more accurate and the most representative result.

The business trips made by employees with both personal and company cars, by train and by plane were all taken into account. This evaluation was conducted based on data reported by Kaufman & Broad on mileage allowances, followed internally, and train and plane trips booked via an external provider, as well as from our company car fleet data provided by our leasing company.

By default, when such information was unknown, diesel was reported as type of fuel (more than 80% of the employees use diesel) and Neuilly was reported as the affiliation (more than 50% of the workforce is currently working there).

Emissions by type of transport was calculated for the "Combustion" line item based on the emissions factors of the Base Carbone carbon emissions database of the French Agency for the Environment and Energy Management (ADEME).

Water and electricity consumption

Kaufman & Broad gathered the water and electricity consumption data from its agencies, based on the scope over which the group has the control to manage the consumption. The Kaufman & Broad Normandie agency was excluded from the scope as it closed at the end of the year.

In relation to the agencies for which some invoices are missing: estimates were made where the group had invoices available for the equivalent prior year period.

For the start/end of the fiscal year, estimates were made based on invoices obtained for the previous year.

These immaterial estimates are below 2% for the group's electricity consumption and below 7% for its water consumption.

For the "under construction" scope, the group has indirect liability. The total life of a construction project makes it difficult to gather these data for CSR reporting and therefore we have decided to separate the monitoring of these data from the non-financial reporting.

Societal indicators:

The group's dependence on suppliers

Civil-law notaries are not considered suppliers and administrative costs are excluded (such as: Commercial Court Clerk's Office, Treasury).

Types of buyers

Distribution of the number of housing units ordered (including joint-ventures) by first-time homebuyers, second-time homebuyers, investors and block, from December 1 to November 30.

Gathering and internal consolidation of data

A dedicated CSR entity defines the indicators included in a reporting memorandum available to contributors; it also gathers the data in liaison with a network of contributors and CSR agency contact persons.

Data audit and consolidation

Each department is responsible for the data it provides in the CSR reporting and for their consolidation. The consolidation of quantity indicators is centralized.

The reporting data may be subjected to corrections during a following reporting company is an irregularity is found and if substantiated. As applicable, corrections are indicated in the next management report.

Reporting tool

The data are populated in a data collection database developed specifically for non-financial reporting which meets the data traceability requirements and can be used to run internal checks: validation workflow, management of deviations greater than 15% and non-populated indicators (required comments).

External data control

Kaufman & Broad is audited by KPMG, as part of the requirement to have the completeness and accuracy of the social, environmental and societal information published in the management report audited by an independent third party (Decree of May 13, 2013).

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2 Business and Financial Review of the Kaufman & Broad group

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2.1. Key Performance Indicators for 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".

In addition, the group has business activities related to the Housing segment, such as land and building lot sales, contracted 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: firstly, 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, for several years, have offered the strongest economic and demographic growth and the best development prospects;
- the second criterion concerns the group's customer base. Kaufman & Broad's customers are traditional homebuyers (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

Market

Overall in 2014, the macroeconomic environment in France experienced no improvement compared to 2013.

- for the third consecutive year, economic growth remained limited (GDP growth is estimated at 0.4% for 2014 and 1.0% for 2015 according to IMF and Insee forecasts);
- the unemployment rate remained high, at 10% in metropolitan France in the 4th quarter of 2014;
- the purchasing power of households is still constrained by the lack of revenue growth and the tax burden, despite the low rate of inflation (estimated at 0.5% for 2014, according to Insee).

In this context, according to the latest available figures, the real estate markets in which Kaufman & Broad operates continued trending down, as the group had anticipated.

In the new housing market

- new home sales fell by 3.9%⁽¹⁾ compared to 2013 (85,821 sales, compared to 89,313 in 2013). Sales volume in 2014 and 2013 was well below the average level of 108,500 sales in 2003-2012;
- the share of individual investors remained low, at 44% in 2014 (40% in 2013), compared to 54%⁽²⁾ on average in the 2003-2012 period;

- the level of outstanding housing offers at end-2014 steadied at around 103,300 units, including approximately 7,000 homes completed and 38,500 homes under construction, versus 5,800 homes completed in 2013;
- an offer currently representing more than 14 months⁽³⁾ of orders, i.e., double the 7-month take-up period which typically reflects a balanced market;
- housing starts down 9.5% year on year to 266,544⁽⁴⁾ new housing units in 2014 compared to 291,865 in 2013;
- building permits down 11.1% year on year from 338,972 housing units to 335,251⁽⁵⁾ at end-December 2014.

In the Commercial Property market

- demand was at 1.5 million sq.m in Île-de-France at end-September 2014 (+13% over 1 year) according to Jones Lang Lassale;
- 6-month available inventory was slightly down;
- the sales before completion (VEFA) market has remained unchanged and is estimated at €1.7 billion.

Kaufman & Broad

Against the background of a difficult economy in which the new housing market has remained sluggish, Kaufman & Broad's 2014 results are in line with the objectives announced at the beginning of the fiscal year with revenues very similar to those of

(1) Calculated on the basis of press releases from the Ministry of Ecology, Sustainable Development and Energy.

(2) Calculated on the basis of press releases from FPI.

(3) Ministry of Ecology, Sustainable Development and Energy.

(4) Ministry of Ecology, Sustainable Development and Energy.

(5) Ministry of Ecology, Sustainable Development and Energy.

2013 and a slightly lower gross margin for the fiscal year as a whole. Throughout the year, the group continued to actively prepare for the future while at the same time seeking to improve its financial structure. Kaufman & Broad's Commercial Property business rebounded compared to 2013 and the group's financial indicators remained strong.

Total revenues for the group were up 5.6% to €1,083.3 million (excluding VAT) compared to €1,026.0 million (excluding VAT) in 2013. Over the entire fiscal year 2014, 5,871 housing units were ordered, for an amount of €1,128.5 million (including VAT), compared to 5,379 housing units ordered in 2013 for an amount of €990.3 million (including VAT), an increase of 9.1% in volume and 14.0% in value. Commercial Property orders grew strongly compared to the previous year to €295.1 million (including VAT) versus €87.5 million (including VAT) in 2013.

Over the entire fiscal year 2014, orders by investors remained unchanged at 34.5% (34.0% in 2013). Orders from homebuyers accounted for 37.4% (26.4% from first-time homebuyers and 11.0% from second-time homebuyers). Package orders totaled 28.1% (19.6% in 2013).

In 2014, 5,623 housing units were delivered compared to 5,839 housing units delivered in the previous year, a drop of 3.7%.

The Housing backlog rose 4.1% in volume and 5.2% in value compared to 2013. At November 30, 2014, it represented 6,354 housing units corresponding to an amount of €1,015.7 million (excluding VAT). The Commercial Property backlog totaled 145.7 million (excluding VAT) versus €52.7 million (excluding VAT) at end-November 2013.

At November 30, 2014 Kaufman & Broad had 158 housing programs on the market, of which 46 in Île-de-France and 112 in the Regions representing a total of 3,484 units compared to 167 programs representing 3,550 housing units available for sale at November 30, 2013.

The property portfolio remained high with 18,023 lots, representing potential revenues corresponding to three years of business. It rose 18.5% compared to that of end-November 2013.

The average monthly take-up rate for lots that entered the market (excluding JVT) was 13.9% in 2014 versus 13.2% in 2013. The attrition rate (excluding discontinued projects) was 26.5% in 2014 versus 31.9% in 2013.

In the Commercial Property segment, in early November 2014, Kaufman & Broad delivered to OPCIMMO (AMUNDI) the 8,000 sq.m CAP 14 building located in Paris' 14th arrondissement. In addition, the entire Paris Rive Gauche development (approximately 23,000 sq.m) was sold before completion to an institutional investor represented by DTZ Investors France and leased for a fixed 12-year period to the SNI group, a real estate subsidiary of the Caisse des Dépôts group.

Senior debt refinancing

In the first half of 2014, the group refinanced its Senior debt.

On March 19, 2014, Kaufman & Broad SA signed a new Senior Facilities Agreement for a total amount of €200 million to replace the existing Senior Facilities Agreement. The new Senior Facilities Agreement, which has a five-year maturity, includes a new Revolving Credit Facility for up to €50 million in principal and new Senior Facilities including a tranche A (Facility A) in the amount of €50 million and a tranche B (Facility B) in the amount of €100 million. The group has drawn down all the amounts available in Tranche A and Tranche B (a total amount of €150 million) and has allocated those sums, as well as its available cash, to the repayment of the existing debt under the Senior Facilities Agreement of July 9, 2007, totaling €219 million at March 31, 2014.

The details regarding the group's net debt are described in Section 2.4.2. "Net debt".

Key financial data for the group

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

	2014	2013
Fiscal year ended November 30		
(in € thousands)		
Revenues	1,083,342	1,025,954
<i>of which, Housing</i>	925,834	967,519
Gross margin	194,272	196,769
Current operating income	74,446	76,030
Operating income	73,773	76,029
Income (loss) attributable to shareholders	50,815	51,903
Attributable net income	38,442	40,848
Net earnings per share	€1.85	€1.95
Total orders (including VAT)	1,424,199	1,078,819
<i>Total backlog (excluding VAT)</i>	<i>1,161,525</i>	<i>1,018,635</i>

Fiscal year ended November 30 (in € thousands)	2014	2013
Assets		
Non-current assets	171,065	186,920
Current assets	987,715	959,270
Total assets	1,158,780	1,146,190
Equity and liabilities		
Shareholders' equity	217,463	188,202
Non-current liabilities	200,527	292,746
Current liabilities	740,790	665,242
Total equity and liabilities	1,158,780	1,146,190
Fiscal year ended November 30 (in € thousands)	2014	2013
Cash flow before cost of financial debt and tax	84,600	88,894
Tax paid	(13,434)	131
Change in Working Capital Requirements	(2,027)	(11,507)
Cash flow from operating activities	69,139	77,518
Cash flow provided by (used in) investing activities	14,429	(21,451)
Cash flow provided by (used in) financing activities	(121,833)	(21,572)
Increase (decrease) in cash	(38,265)	34,495
Cash at beginning of the period	188,258	153,763
Cash at end of the period	149,993	188,258

Group consolidated revenues for fiscal year 2014 totaled €1,083.3 million, up 5.6% compared to €1,026.0 million in 2013.

Housing revenues were down 4.3% to €925.8 million versus €967.5 million for fiscal year 2013. This drop can be explained by the 2014 €75.0 million (-8.2%) decline in revenues from the Apartment segment between 2014 and 2013. The Housing business accounted for 94.3% of total revenues in 2014 versus 91.2% in 2013.

Apartment revenues totaled €844.3 million in 2014, compared to €919.3 million in 2013. Île-de-France accounted for 42.4% of those revenues; they represent 91.2% of the Housing segment's total versus 95.0% in 2013.

Revenues from the Single-family homes in communities segment totaled €81.5 million versus €48.2 million in 2013, a 69.1% increase. Île-de-France accounted for 65.4% of revenues for this segment versus 48.1% in 2013.

The Commercial Property segment generated revenues of €150.4 million versus €51.2 million in 2013.

Total gross margin was slightly down by 1.3% compared to 2013. It totaled €194.3 million versus €196.8 million in 2013. The total gross margin rate was 17.9%, a 1.3 point drop compared to the rates achieved in 2013. This slight decline was due to changes in the Housing-Commercial property mix in our business activities. The Housing gross margin totaled €175.4 million, down 7.1% compared to 2013 when it totaled €188.8 million. The gross margin rate was 18.9% of Housing revenues, versus 19.5% in 2013.

Current operating profit was down 2.1% from €76.0 million in 2013 to €74.4 million in 2013. This decrease is due for the most part to a €2.5 million decrease in gross margin, which was offset by a €0.9 million decrease in operating expenses during the period.

Before-tax earnings of consolidated companies were unchanged, at €73.5 million versus €73.2 million in 2013. The steady performance is due mostly to the €2.6 million decline in financial expenses in the period (close to €1 million in 2014 versus €3.6 million in 2013).

Consolidated net income totaled €50.8 million versus €51.9 million in 2013. Minority interests were up €1.3 million to €12.4 million versus €11.1 million in 2013. Attributable net income was €38.4 million, down 5.9% compared to 2013.

At November 30, 2014, Kaufman & Broad's balance sheet total amounted to €1,158.8 million versus €1,146.2 million at November 30, 2013. Shareholders' equity totaled €217.5 million at end 2014, i.e., an increase of €29.3 million compared to 2013, which can be explained primarily with the fact that €38.4 million in net income for fiscal year 2014 were offset by the €5.8 million drop in treasury shares and €2.1 million in minority interests.

As of November 30, 2014, net financial debt was reduced by €52.1 million compared to November 30, 2013 and, accordingly, net cash flow was €2.1 million. The items responsible for this drop are described in Section 2.4.1. "Cash flows". Gearing (net debt to shareholders' equity ratio) was negative, at -1.0% versus 26.6% at November 30, 2013.

The group's cash declined from €188.3 million at the 2013 fiscal year-end to €150.0 million at November 30, 2014. Kaufman & Broad financial capacity accordingly totaled

€200 million. 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 (in volume and per month) reflect the group's sales activity 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 enable the number of housing units, or Equivalent Housing Units (for mixed-use programs), to be decided 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, an equivalent housing unit calculation is then applied based on the average area of the housing units in that program. The average area of housing units is calculated by comparing 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) to the previously obtained average surface area of housing units.

The EHUs directly reflect the business. 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 a notarized deed of sale 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 (VEFA), undelivered ordered units for which a notarized sale deed has not yet been signed, and the incomplete portion of undelivered units for which a notarized deed of sale 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 enables an estimate to be made the future revenues remaining to be recognized in the coming months and therefore confirms 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

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.

	Inventory of housing units 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 2014	3,484	5,871	6,890	158	724 (180 members of the marketing and sales departments, 159 property appraisers, 204 members of the technical department and 181 administrative and central support employees)
Fiscal year 2013	3,550	5,379	5,745	167	737 (171 members of the marketing and sales departments, 150 property appraisers, 187 members of the technical department and 229 administrative and central support employees)

(a) The total 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 net number of housing units available for sale when the marketing offer was 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.

The Single-family homes in communities and Apartments offered by Kaufman & Broad have the following general characteristics:

	Living area (excluding parking)	Price range (including VAT) ^(a)	Average price ^(a)
Île-de-France			
Single-family homes in communities	59 to 156 sq.m	€234,000 to €787,000	€380,000
Apartments	18 to 163 sq.m	€1,650 to €12,700/sq.m	€3,860/sq.m
Regions			
Single-family homes in communities	59 to 161 sq.m	€113,500 to €543,000	€220,000
Apartments	18 to 170 sq.m	€1,380 to €9,500/sq.m	€3,500/sq.m

(a) Based on housing units ordered, sold and delivered in fiscal year 2014 (non-representative cases excluded).

The Kaufman & Broad's Apartment and Single-family homes in communities 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. These products offer optimized-surface products that best meet the financial and fiscal profitability criteria of investors and the solvency criteria of first-time homebuyers. Apartments have a

minimum surface area of 18 sq.m and range up to 170 sq.m at an average price of €3,500/sq.m in the Regions and €3,860/sq.m in Île-de-France. The maximum price per sq.m can reach close to €13,000 for developments in Paris where real estate prices remain high. The surfaces of single-family homes range from 59 sq.m for three-room homes to 160 sq.m for homes with five to six rooms. The average price of single-family homes is €220,000 in the Regions and €380,000 in Île-de-France.

2.1.3.1. Orders, deliveries and backlog

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 2014 and 2013.

Housing units	Net orders ^(a)	Net orders (in € thousands, including VAT)	Deliveries (in EHUs) ^(b)	Backlog (in EHUs)	Backlog in value (in € thousands, excluding VAT)	Backlog in months of business activity ^(c)
Single-family homes in communities						
Fiscal year ended November 30, 2014						
1 st quarter	33	10,179	77	341	81,139	15.7
2 nd quarter	52	17,724	73	320	76,774	12.6
3 rd quarter	52	14,129	74	298	70,911	10.9
4 th quarter	47	6,952	96	249	54,124	8.0
Total	184	48,985	320	-	-	-
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, 2014						
1 st quarter	1,052	207,934	1,135	5,638	873,412	11.6
2 nd quarter	1,464	289,410	1,185	5,917	930,615	12.9
3 rd quarter	1,297	230,610	1,269	5,945	931,252	13.0
4 th quarter	1,874	351,560	1,714	6,105	961,577	13.7
Total	5,687	1,079,514	5,303	-	-	-
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) The net number of orders recorded during the relevant period, i.e., number of orders signed by customers during this period, less the number of orders canceled at the end of the period.
- (b) The number of Equivalent Housing Units (EHUs) delivered 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 cost of the land 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) The backlog (or order book) in months of business is 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

	Sq.m ordered	Net orders (in € thousands, including VAT)	Backlog in value (in € thousands, excluding VAT)
Fiscal year ended November 30, 2014			
1 st quarter	256	551	47,633
2 nd quarter	5,096	10,903	49,025
3 rd quarter	-	-	43,184
4 th quarter	23,411	283,640	145,726
Total	28,763	295,094	-
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 segment

In fiscal year 2014, 5,871 net housing unit orders were recorded, versus 5,379 in 2013, an increase of 9.1%. In value, orders rose 14.0% to €1,128.5 million (including VAT), compared to €990.3 million (including VAT) in 2013. Sales

gained momentum in the second half and recorded an increase in housing orders of 17.5% in volume and 18.6% in value compared to the second half of 2013. The Housing segment accounted for 79.2% of all group orders in value versus 91.8% in 2013.

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 2014 and 2013 (December 1 to November 30).

	Number of single-family homes ordered				Number of apartments ordered			
	2014	%	2013	%	2014	%	2013	%
Île-de-France	93	51%	159	46%	2,038	36%	2,321	46%
Regions	91	49%	189	54%	3,649	64%	2,710	54%
Total	184	100%	348	100%	5,687	100%	5,031	100%

Apartments

Over the entire fiscal year 2014, 5,687 apartments were reserved versus 5,031 in 2013, a 13.0% increase. Apartment orders totaled €1,079.5 million (including VAT) versus €884.7 million (including VAT) in 2013, a 22.0% (+€194.8 million) increase. This rise is the result of the increase by 939 in orders in the Regions (+34.6%) for an additional €200.8 million (+45.0%), offset by a 12.2% drop in volume and 1.4% in value of orders in Île-de-France.

Apartment orders were at 35.8% in volume and 40.1% in value in Île-de-France versus, respectively, 46.1% and 49.6% in 2013. The apartments share remained the largest in Kaufman & Broad orders and reached 75.8% in value and 96.7% in volume of its total orders versus, respectively, 82.0% and 93.2% in 2013.

Single-family homes in communities

Orders of Single-family homes in communities totaled 184 for €49.0 million versus 348 orders for €105.6 million in 2013. A decline in the number of Single-family homes in communities ordered was recorded both in Île-de-France (41.5%) and in the Regions (51.9%). Île-de-France contributed up to 50.5% in volume and 69.4% in value for these orders versus, respectively, 45.7% and 58.8% in 2013.

Orders by operating segment

		2014			2013		
Fiscal year ended November 30		Number of net orders	Orders in value (in € thousands, including VAT)	Average price (in € thousands, including VAT)	Number of net orders	Orders in value (in € thousands, including VAT)	Average price (in € thousands, including VAT)
Île-de-France		2,131	466,785	-	2,480	500,916	-
	Housing	2,131	466,785	219.0	2,480	500,916	202.0
	Offices	-	-	-	-	-	-
	Other	-	-	-	-	-	-
West		605	94,842	-	698	88,118	-
	Housing	598	94,212	157.5	696	87,975	126.4
	Offices	7	630	-	2	144	-
	Other	-	-	-	-	-	-
Southwest		1,475	267,050	-	1,160	215,243	-
	Housing	1,469	266,444	181.4	1,143	203,558	178.1
	Offices	-	-	-	7	10,663	-
	Other	6	606	-	10	1,022	-
Southeast		1,142	213,901	-	710	126,872	-
	Housing	1,142	202,998	177.8	710	126,872	178.7
	Offices	-	10,903	-	-	-	-
	Other	-	-	-	-	-	-
Rhône-Alpes		391	75,616	-	304	62,479	-
	Housing	391	75,616	193.4	304	62,479	205.5
	Offices	-	-	-	-	-	-
	Other	-	-	-	-	-	-
Other Regions		140	22,445	-	46	8,532	-
	Housing	140	22,445	160.3	46	8,532	185.5
	Offices	-	-	-	-	-	-
	Other	-	-	-	-	-	-
Commercial Property^(b)		-	283,561	-	-	76,658	-
	Housing	-	-	-	-	-	-
	Offices	-	283,561	-	-	76,658	-
	Other	-	-	-	-	-	-
Total group		5,884	1,424,199	-	5,398	1,078,819	-
	Housing	5,871	1,128,499	192.2	5,379	990,333	184.1
	Offices ^(c)	7	295,094	-	9	87,464	-
	Other ^(a)	6	606	-	10	1,022	-

(a) Land, building lots.

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

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

Geographically, the Housing segment in Île-de-France recorded a decline of 14.1% in volume and 6.8% in value compared to 2013. The Regions posted a 29.0% increase in volume and 35.2% in value. Île-de-France's share in the Housing segment declined in favor of the Regions. The Regions represented 63.7% in volume and 58.6% in value of the group's housing orders, compared to 53.9% in volume and 49.4% in value in 2013.

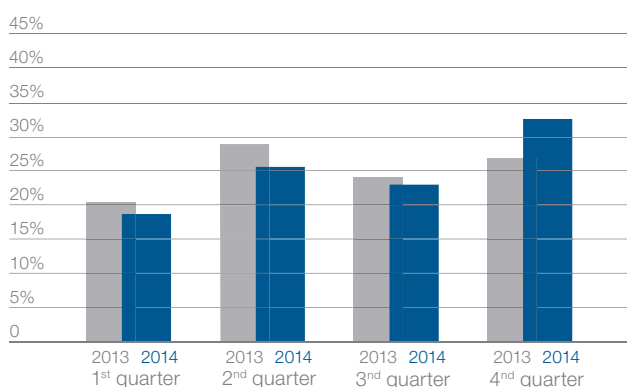
In 2014, the Southwest (Toulouse, Bordeaux, Bayonne, Montpellier) accounted for 23.6% of the total amount of housing

orders versus 18.0% for the Southeast (Marseille, Toulon, Nice) and 6.7% for Rhône-Alpes (Lyon, Grenoble, Annecy). At the same time, the contribution from Île-de-France fell in value from 50.6% to 41.4% and in volume from 46.1% to 36.3%.

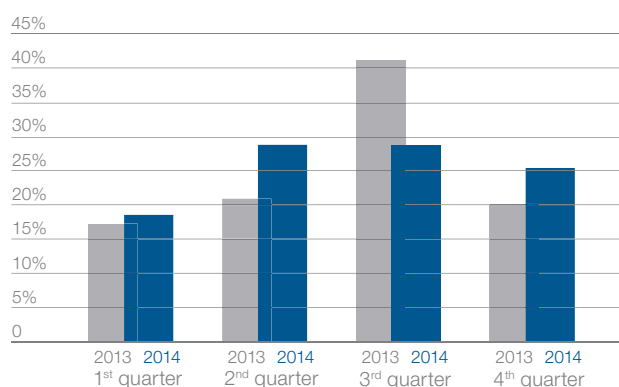
Over the course of one year, the average price of the group's housing unit orders recorded a 4.4% increase, rising from €184 thousand (including VAT) in 2013 to €192 thousand (including VAT) per home in 2014. The price increase was more pronounced in Île-de-France, with an 8.4% rise, while prices in the Regions posted a 4.8% increase compared to 2013.

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

Apartments



Single-family homes in communities



The fourth quarter of fiscal year 2014 recorded the highest number of apartment orders while the first and the third quarter were in line with historical trends. Orders for Single-family homes in communities were relatively uniform in fiscal year 2014. The number of orders was higher in the second and third quarter in 2014 as in 2013.

2.1.3.1.1.2. Commercial Property

In fiscal year 2014, Commercial Property orders rebounded and reached €295.1 million (including VAT), compared to €87.5 million (including VAT) in 2013. This involved primarily the 23,000 sq.m Paris Rive Gauche Mixed Development Zone (Paris -13th arrondissement) Commercial Property program,

sold before completion to an institutional investor represented by DTZ Investors France and leased, for a fixed 12-year term, to SNI – a real estate subsidiary of the Caisse des Dépôts group for its registered office.

2.1.3.1.2. Backlog

At November 30, 2014, total backlog amounted to €1,161.5 million (excluding VAT) versus €1,018.6 million (excluding VAT) at November 30, 2013, representing a year-on-year increase of 14.0%.

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 2014 and 2013 (December 1 to November 30).

	Backlog in number of Single-family homes in communities				Backlog in number of apartments			
	2014	%	2013	%	2014	%	2013	%
Île-de-France	86	35%	166	43%	2,450	40%	2,532	44%
Regions	163	65%	219	57%	3,655	60%	3,188	56%
Total	249	100%	385	100%	6,105	100%	5,720	100%

The backlog totaled 6,354 units, compared to 6,105 units at November 30, 2013, a 4.1% rise. In value, it recorded a 5.2% rise compared to end-2013 and totaled €1,015.7 million (excluding VAT) at November 30, 2014.

Apartments

The Apartments backlog totaled €961.6 million in 2014, an increase of 10.5% compared to year-end 2013, when it totaled €870.4 million. In volume, it amounted to 6,105 units, compared to 5,720 units in 2013, an increase of 6.7%. In Île-de-France, the Apartments backlog fell by 3.2% in volume but rose 4.6% in value. In the Regions, in 2014 it was up both in volume and in value by, respectively, 14.6% and 15.9% compared to 2013.

Single-family homes in communities

The backlog for Single-family homes in communities totaled €54.1 million with 249 units, i.e., a drop of 42.9% in value and 35.3% in volume compared to November 30, 2013, when it totaled €94.7 million with 385 units. There was an equally marked decline both in Île-de-France and in the Regions. At November 30, 2014, Île-de-France recorded a backlog of 86 Single-family homes in communities for €26.9 million versus 166 units for €52.4 million at end 2013. In the Regions, backlog reached 163 units for €27.3 million versus 219 units for €42.3 million in 2013.

Backlog by operating segment

		2014			2013		
Fiscal year ended November 30		Backlog in number	Backlog in value (in € thousands, excluding VAT)	Average price (in € thousands, including VAT)	Backlog in number	Backlog in value (in € thousands, excluding VAT)	Average price (in € thousands, including VAT)
Île-de-France		2,536	459,831	-	2,698	466,567	-
	Housing	2,536	459,831	181.3	2,698	466,567	172.9
	Offices	-	-	-	-	-	-
	Other	-	-	-	-	-	-
West		709	80,359	-	686	67,054	-
	Housing	709	80,359	113.3	686	67,054	97.7
	Offices	-	-	-	-	-	-
	Other	-	-	-	-	-	-
Southwest		1,392	212,367	-	1,347	196,766	-
	Housing	1,384	204,700	147.9	1,332	184,843	138.8
	Offices	7	7,570	-	7	11,105	-
	Other	1	98	-	8	818	-
Southeast		1,221	198,703	-	1,054	189,943	-
	Housing	1,221	190,867	156.3	1,054	189,943	180.2
	Offices	-	7,837	-	-	-	-
	Other	-	-	-	-	-	-
Rhône-Alpes		398	65,311	-	306	52,375	-
	Housing	398	65,311	164.1	306	52,375	171.2
	Offices	-	-	-	-	-	-
	Other	-	-	-	-	-	-
Other Regions		106	14,633	-	29	4,361	-
	Housing	106	14,633	138	29	4,361	150.4
	Offices	-	-	-	-	-	-
	Other	-	-	-	-	-	-
Commercial Property ^(b)		-	130,319	-	-	41,571	-
	Housing	-	-	-	-	-	-
	Offices	-	130,319	-	-	41,571	-
	Other	-	-	-	-	-	-
Total group		6,362	1,161,525	-	6,120	1,018,635	-
	Housing	6,354	1,015,701	159.9	6,105	965,142	158.1
	Offices ^(c)	7	145,726	-	7	52,676	-
	Other ^(a)	1	98	-	8	818	-

(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 fell by 6.0% in volume and 1.4% in value compared to the previous year. During the same period, the Regions were up 12.1% in volume and 11.5% in value. The Île-de-France share of the Housing backlog declined in favor of the Regions to 39.9% in volume and 45.3% in value at end-November 2014, versus 44.2% in volume and 48.3% in value at end-November 2013. The Southeast (Marseille, Toulon,

Nice) represented 18.8% in value versus 20.2% for the Southwest (Toulouse, Bordeaux, Bayonne, Montpellier) and 15.8% for the other Regions. Île-de-France's share totaled 45.3% in value and 39.9% in volume, compared to 48.3% and 44.2%, respectively, for the same period in 2013.

The Housing backlog at November 30, 2014 was equal to 13 months of business compared to 12 months at November 30, 2013.

2.1.4. Outlook

2015 is not expected to be significantly different from 2014. However, recent developments in certain macroeconomic parameters could have positive effects by the end of 2015.

First, the decline in energy costs, especially in view of the decline in oil products, should help rebuild the margins of non-financial businesses; and the decline of the euro is expected to help exports which will contribute to economic growth. Second, the effects of the measures implemented by the Government should start being felt little by little. The Competitive Employment tax credit and the reduction in charges contained in the responsibility pact are expected to lead to a recovery in business profits and thus to a resumption in investment spending. The solidarity pact will have a positive effect on the purchasing power of households, which is already supported by a low inflation rate.

Meanwhile, the market for new housing should continue to be supported by structural and cyclical factors and the Government's pro-active measures:

- structural factors:
 - the housing production deficit that has been accumulating for several years and has now reached more than 12 months of business is expected to continue to be a downward price regulator, with demand outstripping supply,
 - an increase in the number of households, estimated at 230,000 on average over the 2015-2019 period, with half of that due to population growth, 40% to the changes in cohabitation behavior patterns, and the rest to the increase in life expectancy according to Insee,
 - the outlook for a weak and gradual recovery in interest rates;
- cyclical factors:
 - demand from individual investors is expected to firm up, helped by the new Pinel incentive that enables investors to reduce taxes while at the same time benefiting from the advantages of a rental investment (up to 21% of the amount of investment – the option to adjust the tax exemption period to 6, 9 and 12 years, with a tax benefit guaranteed up to 30 months from the signature of the sale before completion (VEFA)),
 - demand from institutional investors may also strengthen. In fact, both housing and Commercial Property performance has become comparatively attractive in a context of low long-term interest rates,
 - demand from social workers is expected to remain supported, among other things by their legal obligations.

Moreover, the more pro-active government line seems to be taking shape in a series of measures:

- shorter lead time for obtaining administrative authorizations for building permits;

- simpler standards for a reduction in construction costs;
- property availability;
- for homebuyers: maintenance of the reduced 5.5% VAT rate for the ANRU and NQPV zones;
- a 30% allowance on real estate capital gain during one year for “demolition/reconstruction” operations.

In an unchanged macro-economic and fiscal environment where a series of factors is expected to support the market for new housing, Kaufman & Broad's revenues and gross margin are expected to be comparable to those in 2014.

- 1) In terms of housing, the group will continue with the activities started in 2014:
 - building up the property portfolio, diversifying distribution channels, supporting commercial launches;
 - managed accommodations projects (students, seniors, hotels) will be accelerated.
- 2) In terms of Commercial Property, Kaufman & Broad intends to broaden its offer to manufacturers and businesses. The end-December 2014 acquisition of Concerto European Developer, a specialist in logistics development was in line with this idea.

In addition, Kaufman & Broad obtained building permits for projects of significant size in Paris and Hauts-de-Seine, representing more than 32,000 sq.m of office space, currently in the marketing phase. At the same time, more than 60,000 sq.m of office space, both in Île-de-France and in the Regions, are in the survey phase.

- 3) In terms of financial indicators, the group will continue to maintain the goals it has been setting for itself for several years now:
 - controlling costs;
 - controlling Working Capital Requirements;
 - controlling commitments and related risk.

Land purchases and property reserves

In fiscal year 2014, the group made land purchases for a total amount of €251.7 million, a 52.7% increase over the €164.8 million in total land purchases in fiscal year 2013.

Because of the average length of its programs, and because it tracks certain indicators such as customer orders, backlog, and land purchase options, the group has quite good visibility 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 a deed or contract of sale has been signed) totaled €580.3 million at November 30, 2014, versus €593.1 million at end-November 2013.

Housing reserve

Lots available for development by 2017 (at November 30, 2014)

	Number	Estimated sq.m (c) (d)(e)
Land to be developed (a)	18,023	1,145,467
Single-family homes	760	63,470
Apartments	17,032	956,230
Commercial Property	175	121,267
Other	56	4,500
Land under survey (b)	8,065	591,025
Single-family homes	628	60,344
Apartments	7,425	485,506
Commercial Property	-	44,000
Other	12	1,175
Total – France	26,088	1,736,492

(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, 2014, the group's total property portfolio represented 18,023 lots, i.e. three years of future business. The Office property portfolio, meanwhile, included 121,267 sq.m of net surface area. The business potential for the group by 2017 thus represents 26,088 housing units and 165,267 sq.m of offices including 8,065 housing units and 44,000 sq.m of offices on land currently in the survey phase.

For the entire fiscal year 2015, the group plans to develop 103 new housing programs for a total of 9,271 lots, including 39

programs in Île-de-France with 3,705 lots, and 64 programs in the Regions with 5,566 lots. The market launch of two office space programs is scheduled for the second quarter of 2015. In addition, a new "Logistics" business activity dedicated to the building of warehouses was created within the Commercial Property segment. The marketing phase of two such programs was launched in early December 2014 and another two are scheduled for third-quarter 2015.

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)

	2014	2013
Revenues	1,083,342	1,025,954
Gross margin	194,272	196,769
Current operating income	74,446	76,030
Operating income	73,773	76,029
Income (loss) attributable to shareholders	50,815	51,903
Attributable net income	38,442	40,848
Net earnings per share	€1.85	€1.95

2.2.2. Sources of Net Income

The accounting principles, estimates and assumptions used to prepare the Consolidated Financial Statements at November 30, 2014 are described in Section 4.1.2. “General information”, Note 1 “Accounting methods and main valuation assumptions”.

The group recognizes its **revenues** and margin based on the percentage-of-completion of programs according to the following rule: the revenues recognized for a given program are equal to the total revenues from the lots for which a deed of sale has been signed, multiplied by the ratio between the total amount of the land and construction costs 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 costs** include the fixed portion of the salaries of salespeople, sales managers and showroom personnel, as well as the related payroll taxes, the cost of maintaining model homes, and the advertising costs and various other expenses (employee travel costs, showroom rental costs and the costs of leased sales offices). These expenses should be compared 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 the Territorial Economic Contribution tax), maintenance costs, supplies, etc.;
- **technical and after-sales service expenses** include 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;
- **development and program expenses** include the salaries of personnel in charge of land development, arrangement and monitoring of real estate programs, as well as services related to travel expenses, maintenance costs and supplies.

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 to make it easier to understand current operating performance.

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

The **net income of tax consolidated companies** corresponds to operating income, less:

- 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 attributable to shareholders corresponds to the net income of consolidated companies, adjusted for the share in the income of affiliates and joint-ventures (equity accounting).

Attributable net income corresponds to the income attributable to shareholders, adjusted for income from non-controlling equity interests (minority interests), which includes all the income and expenses attributable to minority shareholders in fully consolidated companies.

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 from 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, 2014	November 30, 2013 restated
Revenues	1,083,342	1,025,954
Cost of sales	(889,070)	(829,185)
Gross margin	194,272	196,769
Selling expenses ^(a)	(29,243)	(30,619)
General and administrative expenses ^(a)	(53,770)	(54,936)
Technical and customer service expenses ^(a)	(18,375)	(19,258)
Development and program expenses ^(a)	(18,437)	(15,926)
Current operating income	74,446	76,030
Other non-recurring income	144	5
Other non-recurring expenses	(817)	(6)
Operating income	73,773	76,029
Financial expenses	(968)	(3,551)
Financial income	718	744
Cost of net financial debt	(250)	(2,807)
Pre-tax profit (loss) of consolidated companies	73,524	73,222
Income tax (expenses)/income	(25,295)	(21,961)
Net Income of consolidated companies	48,229	51,261
Share of income (loss) of equity affiliates and joint-ventures	2,586	642
Income (loss) attributable to shareholders	50,815	51,903
Minority interest income (loss)	12,373	11,055
Attributable net income	38,442	40,848
Average number of shares	20,781,182	20,915,865
Earnings per share	€1.85	€1.95
Diluted earnings per share	€1.85	€1.95

(a) The 2013 operating expenses breakdown by department has been restated.

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 2014 and 2013:

Fiscal year ended November 30 (in € thousands)	2014			2013		
	Deliveries (EHUs)	Revenues	Gross margin ^(b)	Deliveries (EHUs)	Revenues	Gross margin ^(b)
Apartments	5,303	844,314	158,435	5,606	919,297	178,121
Single-family homes	320	81,519	16,935	233	48,221	10,646
Total Housing	5,623	925,834	175,370	5,839	967,519	188,767
Commercial Property	7	150,350	17,252	2	51,223	5,981
Other ^(a)	13	1,146	355	7	698	162
Showroom	-	6,012	1,295	-	6,515	1,859
Grand Total	5,643	1,083,342	194,272	5,848	1,025,954	196,769

(a) Corresponds primarily to sales of undeveloped lots 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 the production of qualifying assets. The amount included in the gross margin at November 30, 2014 was €7.4 million, or 3.8% of the gross margin versus €9.5 million at November 30, 2013.

Deliveries (EHUs)

The number of Equivalent Housing Units (EHU) in 2014 was down 3.7% compared to 2013, from 5,839 units delivered in 2013 to 5,623 units delivered in 2014. Apartments deliveries were down 5.4%, to 5,303 units in 2014 and those of Single-family homes in communities rose 37.3% to 320 units delivered. The share of apartments was 94.3% of delivered homes versus 96.0% in 2013.

Revenues

Compared to 2013, total group revenues (excluding VAT) rose 5.6% to €1,083.3 million versus €1,026.0 million in 2013. This increase can be attributed for the most part to the increase in revenue of the Single-family homes segment (+€33.3 million) and to that of the Commercial Property segment (+€99.1 million).

Apartments segment

Revenues from the Apartments segment declined by 8.2%, from €919.3 million to €844.3 million in 2014. 42.4% of revenues were generated in Île-de-France versus 44.0% in 2013. The share of Apartments in total revenues was 77.9%, versus 89.6% in 2013. The €75.0 million in revenues from the Apartments segment resulted from the decline recorded in Île-de-France (-€46.5 million) and in the Regions (-€28.5 million) compared to 2013.

Single-family homes in communities segment

Revenues from the Single-family homes segment rose 69.1% from €48.2 million in 2013 to €81.5 million in 2014. Its share in total revenues was 7.5%, compared to 4.7% in 2013. The €33.3 million increase includes €30.1 million in Île-de-France

and €3.2 million in the Regions. The Île-de-France share in revenues from the Single-family homes segment was 65.4%, a 17.3 point increase compared to 2013.

Other businesses

Commercial Property revenues posted a sharp increase of €99.1 million to €150.4 million in 2014. It was for the most part due to three programs in Île-de-France: Boulogne – YOU (€10.2 million), Paris 13th arrondissement (€125.1 million) and Paris 14th arrondissement (€9.8 million).

Showroom revenues remained practically unchanged at €6.0 million compared to €6.5 million in 2013.

Revenues from land sales and outside fees (for Project Management contracts) rose from €0.7 million in 2013 to €1.1 million in 2014.

Gross margin

The group's gross margin totaled €194.3 million versus €196.8 million in 2013, a 1.3% drop (-€2.5 million), reflecting the change in the housing-office space product mix in our business activities.

Apartments segment

The Apartments segment's gross margin totaled €158.4 million, compared to €178.1 million in 2013 (-11.1%). Its gross margin rate was 18.8% versus 19.4% in 2013. The €19.7 million drop in gross margin was the result of a €14.3 million drop in Île-de-France and a €5.4 million drop in the Regions. In Île-de-France, the gross margin rate was 20.0% versus 21.2% in 2013. In the Regions, it totaled 17.9%, unchanged compared to 2013.

Single-family homes in communities segment

Following the same trend as revenues, gross margin of the Single-family homes segment recorded a sharp increase compared to 2013 (+59.1%). It totaled €16.9 million for fiscal year 2014 versus €10.6 million for fiscal year 2013. The €6.3 million increase was due primarily to Île-de-France's contribution of €5.8 million. The gross margin rate of the Single-family homes segment was 20.8% versus 22.1% last year.

Other businesses

The gross margin from other businesses amounted to €18.9 million compared to €8.0 million in 2013. Commercial Property's share in the margin of the other segments was €17.3 million, a €11.3 million increase year-on-year. The Commercial Property gross margin rate was 11.5% in 2014, versus 11.7% in 2013. These rates are considered normal considering the high land expenses and construction costs in Île-de-France.

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 2014 and 2013:

Fiscal year ended November 30		2014			2013		
(in € thousands)		Deliveries (EHUs)	Revenues	Gross margin ^(b)	Deliveries (EHUs)	Revenues	Gross margin ^(b)
Île-de-France		2,293	415,989	84,606	2,391	432,139	93,119
	Housing	2,293	411,637	83,372	2,391	428,016	91,892
	Offices	-	-	-	-	-	-
	Other ^(a)	-	4,352	1,234	-	4,124	1,226
West		583	70,102	12,942	504	63,343	10,376
	Housing	576	69,487	12,842	502	63,075	10,405
	Offices	7	533	81	2	201	-44
	Other ^(a)	-	83	20	-	67	16
Southwest		1,430	212,129	36,556	1,321	214,322	40,408
	Housing	1,417	207,524	35,968	1,314	204,620	38,683
	Offices	-	3,461	534	-	9,004	1,628
	Other ^(a)	13	1,145	54	7	698	97
Southeast		975	178,305	29,120	1,190	201,887	33,392
	Housing	975	175,636	28,299	1,190	198,862	32,315
	Offices	-	1,316	529	-	776	470
	Other ^(a)	-	1,353	292	-	2,249	606
Rhône-Alpes		299	52,512	13,601	345	57,621	13,821
	Housing	299	52,305	13,555	345	57,567	13,751
	Offices	-	-	-	-	-	-
	Other ^(a)	-	207	46	-	54	70
Other Regions		63	9,262	1,339	97	15,400	1,725
	Housing	63	9,245	1,335	97	15,379	1,720
	Offices	-	-	-	-	-	-
	Other ^(a)	-	18	4	-	21	5
Commercial Property		-	145,041	16,108	-	41,243	3,927
	Housing	-	-	-	-	-	-
	Offices	-	145,041	16,108	-	41,243	3,927
	Other ^(a)	-	-	-	-	-	-
Total		5,643	1,083,342	194,272	5,848	1,025,954	196,769
	Housing	5,623	925,833	175,370	5,839	967,519	188,767
	Offices	7	150,350	17,252	2	51,223	5,981
	Other ^(a)	13	7,158	1,650	7	7,212	2,020

(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 at November 30, 2014 was €7.4 million, i.e., 3.8% of the gross margin versus €9.5 million at November 30, 2013.

Deliveries (EHUs)

By geographic area, Île-de-France represented an important part in the group's Housing business with 40.8% of housing units delivered in 2014 (40.0% for Apartments and 54.1% for Single-family homes in communities) compared to 40.9% in 2013. The group has also been active in the Southwest (Toulouse, Bordeaux, Bayonne, Montpellier) and in the Southeast (Nice, Toulon, Marseille) where 25.2% and 17.3% respectively of the housing units were delivered compared to 22.5% and 20.4% in 2013.

Housing revenues

Housing revenues totaled €925.8 million in 2014 versus €967.5 million in 2013, down 4.3%. Île-de-France contributed up to 44.5%, a steady level compared to 2013.

After Île-de-France, the Southeast (Nice, Toulon, Marseille) and the Southwest (Toulouse, Bordeaux, Bayonne, Montpellier) were the two biggest contributors and accounted for 19.0% and 22.4% of Housing business revenues, respectively. The West (Nantes, Rennes) contributed 7.5% and Rhône-Alpes (Lyon, Grenoble, Annecy) 5.6%.

The €41.7 million fall in Housing revenues compared to 2013 can be explained by the €23.2 million decline in the Southeast and the drop in revenues in Île-de-France, Rhône-Alpes and the

Other Regions, by respectively -€16.4 million, -€5.3 million and -€6.1 million. The €9.3 million increase in revenues, including €6.4 million in the West and €2.9 million in the Southwest did not help offset the €51.0 million drop.

Housing gross margin

The Housing gross margin at November 30, 2014 amounted to €175.4 million versus €188.8 million in 2013, a drop of 7.1% over one year. The Housing gross margin rate was 18.9% in 2014 versus 19.5% in 2013.

Île-de-France contributed up to 47.5% of the Housing gross margin achieved by the group in 2014 (48.7% in 2013). The Southwest (Toulouse, Bordeaux, Bayonne and Montpellier) was the second-largest contributor with 20.5% and the Southeast (Marseille, Toulon, Nice) accounted for 16.1%, for its part. The Rhône-Alpes (Lyon, Grenoble, Annecy) and West (Nantes, Rennes) regions respectively contributed 7.7% and 7.3% of the Housing segment's gross margin.

The 2014 €13.4 million decline in the Housing segment's gross margin compared to 2013 resulted for the most part from the decline in the gross margin of the group's major Regions, and particularly -€8.5 million in Île-de-France, -€4.0 million in the Southeast, -€2.7 million in the Southwest, which was offset in part by the €2.4 million increase in the West.

2.3.2. Operating expenses

To better reflect the business activities of the group's departments, we have changed the operating expenses breakdown by

departments for 2014. The 2013 operating expenses breakdown has been revised to take into account this new breakdown.

(in € thousands)

	November 30, 2014	November 30, 2013 restated	November 30, 2013 published
Selling expenses	29,243	30,619	30,619
Administrative expenses	53,770	54,936	65,058
Technical and customer service expenses	18,375	19,258	18,052
Development and program expenses	18,437	15,926	-
Other expenses	-	-	10,180
Other income	-	-	(3,170)
Total operating expenses	119,825	120,739	120,739

At November 30, 2014, operating expenses totaled €119.8 million, compared with €120.7 million in 2013. Operating expenses as a percentage of revenues were 11.1% in 2014 versus 11.8% in 2013.

The change in operating expenses primarily reflects the following items:

Selling expenses

Selling expenses amounted to €29.2 million versus €30.6 million in 2013, a decrease of 4.5%. This decline can be attributed for the most part to the decrease in advertising expenses. In fact, package sales rose 41.4% compared to 2013. They represent 33.5% of orders for 2014 versus 25.8% for 2013, which made it possible to save on advertising costs.

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)	2014	2013
Salaries and payroll taxes	8,785	8,167
Commissions paid to the sales team	9,425	10,676
<i>As a percentage of total group revenues</i>	<i>1.7%</i>	<i>1.8%</i>

Sales commissions

(in € thousands)	2014	2013
Commissions paid to the sales team	9,425	10,676
External commissions	24,721	21,190
Total commissions on sales	34,146	31,866
<i>As a percentage of total group revenues</i>	<i>3.2%</i>	<i>3.1%</i>
<i>As a percentage of Housing gross margin</i>	<i>19.5%</i>	<i>16.9%</i>

The amount of commissions on sales amounted to €34.1 million in 2014, including €9.4 million for internal commissions (paid to the sales teams) and €24.7 million for external commissions (paid to specifiers). The €1.3 million decrease in internal commissions was mainly due to the decrease of the variable part paid to sellers. The €3.5 million increase in external commissions, can in turn be explained in part by the 41.4% increase in 2014 compared to 2013 in the number of orders by specifiers 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)	2014	2013
Advertising expenses	16,759	19,894
<i>As a percentage of revenues</i>	<i>1.5%</i>	<i>1.9%</i>

Advertising expenses in 2014 declined 15.8% compared to 2013 while revenues rose 5.6% compared to the previous fiscal year. The advertising expense decline can be attributed in part to the increase in the share of programs sold as a package over the period, for which the advertising expenses were lower than for the programs intended for homebuyers and investors.

The share of advertising expenses and the costs of model areas in revenues was 1.5% versus 1.9% in 2013.

Administrative expenses

Administrative expenses amounted to €53.8 million in 2014 versus €54.9 million in 2013, a decrease of 2.1%. This fall can be attributed primarily to the decline in the salaries and payroll taxes line item.

Technical and customer service expenses

Technical and customer service expenses amounted to €18.4 million versus €19.3 million in 2013. This 4.6% decline resulted primarily from the €0.9 million decrease in salaries and payroll taxes.

Development and program expenses

Development and program expenses totaled €18.4 million, up 15.8% compared to 2013 when they amounted to €15.9 million. The €2.5 million increase includes primarily €1.6 million expenses on discontinued programs and €0.7 million in travel and business trip expenses.

2.3.3. Current operating profit – Operating margin

The group's current operating profit was down 2.1% from €76.0 million in 2013 to €74.4 million in 2014. The current operating margin was 6.9%, compared to 7.4% in 2013. The

€1.6 million decrease was due primarily to a €2.5 million decrease in gross margin, which was offset by a 2014 €0.9 million decrease in operating expenses compared to 2013.

2.3.4. Other non-recurring income and expenses

At November 30, 2014, non-recurring income totaled €144 thousand versus €5 thousand in 2013, following a reversal of €137 thousand order deposit risk provision. Non-recurring

expenses were related primarily to provisions for land depreciation for €0.8 million for fiscal year 2014. Accordingly, operating income was €73.8 million versus €76.0 million in 2013.

2.3.5. Cost of net financial debt

The cost of the net financial debt fell by €2.6 million from €2.8 million in 2013 to €250 thousand in 2014. This decrease can be attributed primarily to the following:

- a €1.4 million decline in interest expenses for the syndicated lines of credit following the refinancing of the Senior debt (€150.0 million versus €237.7 million in 2013);

- a €2.7 million decline in expenses for deferral of origination fees for syndicated loans;
- offset by a €1.7 million decrease in the capitalization of financial costs.

2.3.6. Net income

Tax liability

Income tax resulted in a tax charge of €25.3 million calculated based on the net profits of the group at November 30, 2014, compared to €22.0 million for fiscal year 2013 (see Section 4.1.3. "Statement of comprehensive income," Note 12.2. "Tax Reconciliation").

Minority interests

The amount of minority interests was up by €1.3 million from €11.1 million in 2013 to €12.4 million in 2014. This rise reflects

the increasing number of joint development programs carried out in 2014.

Net income

Attributable net income for fiscal year 2014 was slightly down by 5.9% compared to fiscal year 2013. It totaled €38.4 million versus €40.8 million in 2013.

The net margin (net income as a percentage of revenues) was 3.5% in 2014 versus 4.0% in 2013.

2.3.7. Income by operating segment

Pursuant to IFRS 8, segment information reflects the organization of the internal reporting intended for the group's management. Details of this segment analysis are provided in Section 4.1.2. "General" in Note 3.1 "Income by operating segment".

Fiscal year ended November 30, 2014

(in € thousands)	Île-de-France	West	Southwest	Southeast
Revenues	415,989	70,102	212,129	178,305
Gross margin	84,607	12,942	36,556	29,120
Selling expenses	(11,175)	(1,476)	(5,495)	(5,048)
Administrative expenses	(7,789)	(2,011)	(6,873)	(6,127)
Technical and customer service expenses	(8,250)	(957)	(4,020)	(3,282)
Development and program expenses	(5,804)	(1,064)	(5,442)	(2,107)
Reallocation of portion of Corporate re invoicing	(10,656)	(2,355)	(7,366)	(5,313)
Current operating income	40,933	5,079	7,360	7,243
Other non-recurring income and expenses	-	-	(800)	(11)
Operating income	40,933	5,079	6,560	7,232
Cost of net financial debt and other financial income/expenses	4,342	(3)	(607)	(930)
Reallocation of cost of net financial debt	(1,041)	(230)	(719)	(519)
Pre-tax income of consolidated companies	44,234	4,846	5,234	5,783
Income tax	(13,896)	(1,767)	(2,802)	(1,995)
Share of income (loss) of equity affiliates and joint-ventures	1,287	(142)	1,426	33
Income (loss) attributable to shareholders	31,625	2,937	3,858	3,821
<i>Attributable net income</i>	23,000	2,599	2,942	2,072
<i>Minority interests</i>	8,625	338	917	1,749

Fiscal year ended November 30, 2014

(in € thousands)	Rhône-Alpes	Commercial Property	Other Regions	Head office	Total
Revenues	52,512	145,041	9,262	-	1,083,342
Gross margin	13,601	16,108	1,338	-	194,272
Selling expenses	(1,776)	215	(295)	(3,763)	(29,243)
Administrative expenses	(2,628)	(1,369)	(736)	(26,236)	(53,769)
Technical and customer service expenses	(1,241)	(198)	(262)	(166)	(18,376)
Development and program expenses	(2,066)	(1,692)	(239)	(23)	(18,437)
Reallocation of portion of Corporate re invoicing	(2,083)	(2,053)	(362)	30,188	-
Current operating income	(3,807)	10,581	(556)	-	74,447
Other non-recurring income and expenses	(82)	-	137	83	(673)
Operating income	3,725	10,581	(418)	83	73,774
Cost of net financial debt and other financial income/expenses	626	(649)	(81)	(2,948)	(250)
Reallocation of cost of net financial debt	(203)	(200)	(35)	2,948	-
Pre-tax income of consolidated companies	4,148	9,732	(535)	83	73,524
Income tax	(1,486)	(3,543)	193	-	(25,295)
Share of income (loss) of equity affiliates and joint-ventures	(17)	(1)	(1)	-	2,586
Income (loss) attributable to shareholders	2,645	6,188	(342)	83	50,815
<i>Attributable net income</i>	2,153	6,080	(485)	83	38,443
<i>Minority interests</i>	492	109	143	-	12,372

Fiscal year ended November 30, 2013 restated
(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 ^(a)	(12,452)	(1,453)	(6,062)	(5,363)
General and administrative expenses ^(a)	(10,054)	(2,305)	(8,040)	(5,280)
Technical and customer service expenses ^(a)	(8,119)	(1,012)	(4,030)	(3,536)
Development and program expenses ^(a)	(5,178)	(1,567)	(3,743)	(3,159)
Reallocation of portion of Corporate re invoicing ^(a)	(11,206)	(2,247)	(6,256)	(7,106)
Current operating income	46,110	1,792	2,161	19,064
Other non-recurring income and expenses	10	-	-	(7)
Operating income	46,120	1,792	2,161	19,057
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	48,119	1,521	120	17,392
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	33,562	1,171	(1,195)	14,094
<i>Attributable net income</i>	<i>28,272</i>	<i>532</i>	<i>(2,507)</i>	<i>10,763</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 restated
(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	-	196,769
Selling expenses ^(a)	(1,834)	(54)	(86)	(3,315)	(30,619)
General and administrative expenses ^(a)	(1,871)	(720)	(542)	(26,122)	(54,936)
Technical and customer service expenses ^(a)	(1,232)	(207)	(186)	(932)	(19,258)
Development and program expenses ^(a)	(1,643)	(612)	(22)	-	(15,926)
Reallocation of portion of Corporate re invoicing ^(a)	(2,338)	(911)	(304)	30,368	-
Current operating income	4,903	1,423	585	(1)	76,030
Other non-recurring income and expenses	(3)	-	(1)	-	(1)
Operating income	4,900	1,423	584	(1)	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	5,455	582	41	(1)	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	3,881	371	25	(1)	51,903
<i>Attributable net income</i>	<i>3,402</i>	<i>371</i>	<i>21</i>	<i>(1)</i>	<i>40,858</i>
<i>Minority interests</i>	<i>479</i>	<i>-</i>	<i>4</i>	<i>-</i>	<i>11,055</i>

(a) The 2013 operating expenses breakdown by department has been restated.

2.4. Liquidity and capital resources

2.4.1. Cash flow

The group's net cash flow totaled €150.0 million at November 30, 2014, down €38.3 million from November 30, 2013, when it totaled €188.3 million. The change is analyzed below:

(in € thousands)	November 30, 2014	November 30, 2013
Cash flow from operating activities	69,139	77,518
Cash flow provided by (used in) investing activities	14,429	(21,451)
<i>Free cash flow</i>	83,568	56,067
Cash flow provided by (used in) financing activities	(121,833)	(21,572)
Increase (decrease) in cash	(38,265)	34,495
Cash at beginning of the period	188,258	153,763
Cash at end of the period	149,993	188,258

Cash flow from operating activities

Cash flows generated by operating activities totaled €69.1 million versus €77.5 million at November 30, 2013, a decrease of €8.4 million. The change in cash flow generated from operating activities was primarily due to:

- a €2.6 million decline in the cost of net financial debt;
- a €13.6 increase in paid taxes;
- a €9.5 million decrease in the change in Operating Working Capital Requirements (excluding current taxes), which dropped from -€11.5 million at November 30, 2013 to -€2.0 million at November 30, 2014.

Operating Working Capital Requirements (excluding current taxes) for fiscal year 2014 were slightly up by €2.0 million compared to November 30, 2013. The change in operating WCR items can be attributed in part to a €68.6 million increase in receivables, including €44.8 million in trade receivables and a €81.8 million increase in debt, including €67.7 million in trade payables.

Working Capital Requirements (WCR) totaled €111.2 million at end-November 2014 versus €126.8 million at end-November 2013, a decrease of €15.6 million. WCR as a percentage of revenues amounted to 10.3% at November 30, 2014, compared to 12.4% for the same period in 2013.

Cash flow provided by (used in) investing activities

Cash flows from investing activities amounted to €14.4 million versus -€21.5 million in fiscal year 2013. They include primarily:

- -€3.4 million in disbursements for acquisitions of property, plant and equipment and intangible assets;
- €18.3 million primarily from the release of 2013 escrow money related to a real estate transaction;
- -€0.5 million in flows with equity affiliates.

Cash flow provided by (used in) financing activities

Cash flows from financing activities amounted to -€121.8 million versus -€21.6 million in 2013. These are comprised primarily of:

- -€16.6 million in distributions to minority interests;
- -€6.1 million in purchases of treasury shares;
- -€92.2 million corresponding to the March 31, 2014 balance of the repayment of the Senior B and C lines in the amount of €237.7 million, to the new syndicated A and B line for €150 million and to the €4.6 million in capitalized issuance premium;
- -€7.2 million in net financial interest paid.

2.4.2. Net debt

2.4.2.1. Gross financial debt

Gross financial debt consists of long term and short-term financial liabilities, financial hedging instruments related to liabilities and accrued interest on balance sheet items.

It breaks down as follows:

(in € thousands)	November 30, 2014	November 30, 2013
Syndicated Loan	150,000	237,667
Other borrowings	-	-
Credit facilities	585	512
Issuance expenses	(3,986)	-
Fair value of derivatives	1,317	120
Gross financial debt	147,916	238,299
- of which non-current	135,815	218,959
- of which current	12,101	19,340

In March 2014, the group drew down all the amounts available in Tranche A and Tranche B (a total amount of €150 million) and allocated these sums, as well as its available cash, to the repayment of the existing debt under the Senior Facilities Agreement of July 9, 2007, totaling €219 million at March 31, 2014.

At November 30, 2014 the group's gross financial debt totaled €147.9 million including €135.8 million in non-current debt comprising primarily the Senior A and B lines and €12.1 million in current debt. It totaled €238.3 at November 30, 2013.

At November 30, 2014 the group had €150 million in Senior Facilities comprising a Tranche A of €50 million and a Tranche B of €100 million and €50 million in an unused RCF line.

Adjustment of financial ratios

In the accounting quarters from August 2014 until the agreement expires in 2019, the group is required to comply with 2 ratios, calculated on a consolidated basis, with levels defined as follows:

Ratios at each quarter-end	August 2014 to 2019	Ratio at November 30, 2014
Leverage Ratio (non-risk weighted assets ratio) ^(a)	< 3.00x	0.01
Debt ratio ^(b)	< 1.00x	0.00

(a) Net Financial Debt divided by EBITDA (EBITDA = 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).

(b) Net Financial Debt divided by adjusted shareholders' equity (adjusted shareholders' equity = consolidated shareholders' equity at November 30, 2013 + cumulative income from December 1, 2013 to the end of the relevant quarter – dividends paid for the relevant period + cumulative impairment charge for the period from December 1, 2013 to the end of the relevant quarter).

The agreement provides for a cash sweep clause under certain conditions.

The sureties guaranteeing the sums owed by the Company as a borrower are described in Note 30 to the Financial statements, "Additional Information".

The group's main debt facilities

(in € thousands)	Debt capacity	Utilization at November 30, 2014	Repayment	Rate ^(a)
Facility A	50,000	50,000	repayable by semi-annual installments of €5.5 million from March 2015 to March 2019	E +325 BPS
Facility B	100,000	100,000	bullet repayment in March 2019	E +350 BPS
RCF ^(b)	50,000	-	bullet repayment in March 2019	E +325 BPS
Total	200,000	150,000	-	-

(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 (€0.6 million in 2014) and the hedges, was 4.067%, versus 4.25% in 2013.

2.4.2.2. Main changes in gross financial debt

(in € millions)	November 30
Gross financial debt at November 30, 2013	238,299
Repayment of syndicated credit facilities (Senior B + C)	(237,667)
Change in other borrowings	150,000
Change in derivative instruments	1,197
Change in issue costs	(3,986)
Change in credit facilities	73
Gross financial debt at November 30, 2014	147,916
Change in gross financial debt in 2014	90,383

Between November 30, 2014 and November 30, 2013, the group's gross financial debt changed by €90.4 million which was due primarily to the €237.7 million repayment of the Senior

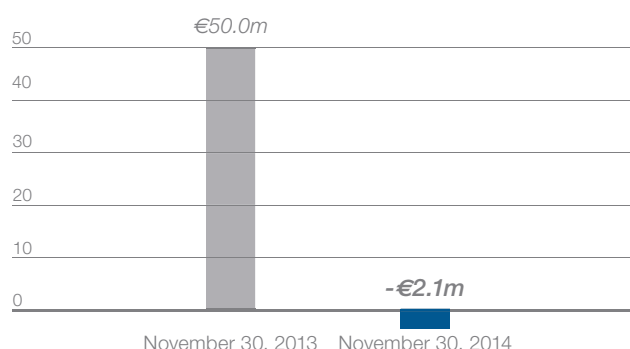
B and C lines on July 9, 2007 and the arrangement of new borrowings in the amount of €150 million (€50 million for Tranche A and €100 million for Tranche B).

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

(in € millions)	November 30, 2014	November 30, 2013
Shareholders' equity	217.5	188.2
Financial debt *	147.9	238.3
Financial debt maturing within one year	12.1	19.3
Financial debt maturing between one and five years	135.8	219.0
Maturity	4.3 years	2.1 years
* Of which:		
Bond issuance expenses	(4.0)	-
Hedging instruments	1.3	0.1
Bilateral credit lines	0.6	0.5
Syndicated credit lines (Senior B and C)	-	237.7
Facility A and B	150.0	-

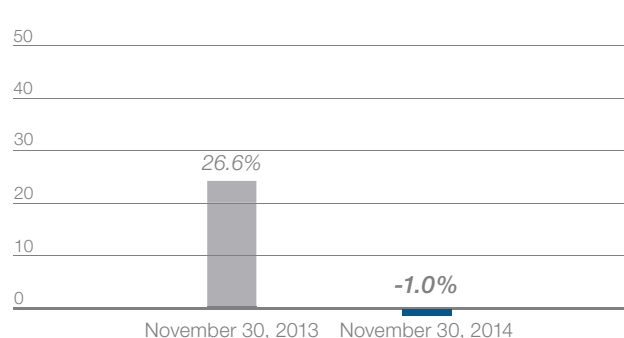
2.4.2.3. Change in net financial debt

Net financial debt



Net financial debt means gross financial debt less cash and cash equivalents. At November 30, 2014, net financial debt was reduced by €52.1 million compared to November 30, 2013 and, accordingly, net cash was €2.1 million.

Gearing



The gearing ratio (the net debt to consolidated shareholders' equity ratio) was -1.0% at November 30, 2014 versus 26.6% at November 30, 2013, reflecting both the €52.1 million decline in net debt and the €29.3 million increase in shareholders' equity compared to the previous fiscal year.

2.4.2.4. Swap agreements – Interest rate risk hedging

The interest rate risk management policy 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 floating rate loan interest flows with interest-rate swaps. The latter are derivatives that hedge cash flows. They are marked to market on the balance sheet. Kaufman & Broad applies cash

flow hedge accounting. Under the new Senior Facilities Agreement, the group has also undertaken to keep the hedges in place in an amount of 50% of borrowings.

Interest-rate hedges are created using instruments listed on organized or over-the-counter markets with highly rated counterparties.

The following table provides details of the portfolio, at November 30, 2014, of Euribor 1-month lender fixed rate borrower swaps.

Type	Notional amount (in € millions)	Fixed rate	Expiration date		Type	Market value at November 30, 2014 as a % of the nominal
			Start date	End date		
EUR 1M fixed rate swap	20	0,466%	April 30, 2014	Nov. 30, 2017	Hedge	-1.37%
EUR 1M fixed rate swap	10	0,500%	Nov. 28, 2014	Nov. 30, 2017	Hedge	-1.44%
EUR 1M fixed rate swap	20	0,500%	Nov. 30, 2014	Nov. 30, 2017	Hedge	-1.43%
EUR 1M fixed rate swap	10	0,470%	Nov. 30, 2014	Nov. 30, 2017	Hedge	-1.34%
EUR 1M fixed rate swap	15	0,130%	Nov. 30, 2014	Nov. 30, 2018	Hedge	-0.26%
EUR 1M fixed rate swap	50	0,300%	Nov. 28, 2014	Nov. 30, 2018	Hedge	-0.88%

A specialized company outside the group provides the mark to market value of these derivatives (level 2 valuation as defined by IFRS 7). The provision for hedging net of deferred tax at November 30, 2014 was -€864 thousand.

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 ten members and one non-voting member who provide it with a broad range of complementary skills and experience:

Name	Age ^(a)	Compensation and Nominating Committee	Audit Committee	Board of Directors	Years on the Board	Date of first nomination	Term of office expires ^(b)	Number of Company shares held
Chairman and Chief Executive Officer								
Nordine Hachemi	53			✓	2	06/25/2013	2014	22,806
Independent Directors								
Sylvie Charles	55		✓	✓	3	02/16/2012	2014	250
Yves Galland	73		✓	✓	10	04/28/2004	2015	600
Caroline Puechoultres	45	✓		✓		09/30/2014 ^(c)	2014	250
Other directors								
Alexandre Dejoie	32			✓	2	01/24/2014 ^(g)	2015	250
Sophie Lombard	45	✓	✓	✓	8	07/10/2007 ^(e)	2014	250
Joël Monribot	69			✓	1	04/11/2014 ^(d)	2016	22,097
Frédéric Stévenin	48	✓	✓	✓	8	07/10/2007	2014	250
Olivier de Vregille	59			✓	6	09/29/2009 ^(f)	2015	250
Lionel Zinsou	60			✓	6	09/29/2009	2015	250
Non-voting member								
Thierry Lefèvre	56			✓	1	09/30/2014 ^(h)	2017	1

(a) At February 19, 2015.

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

(c) The co-option and renewal of the term of office of Caroline Puechoultres will be submitted for approval to the Shareholders' Meeting of April 16, 2015.

(d) Joël Monribot was appointed by the Shareholders' Meeting of April 11, 2014.

(e) Note that Sophie Lombard was not a director of the Company from January 20, 2010 to September 29, 2010.

(f) Note that Olivier de Vregille was no longer a director of the Company from June 25, 2013 to September 27, 2013.

(g) The co-option of Alexandre Dejoie was ratified by the Shareholders' Meeting of April 11, 2014.

(h) Thierry Lefevre was appointed non-voting member by the Board of Directors on September 30, 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 a director 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 Deputy Chairman of the Board of Directors.

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

Independent Directors



Sylvie Charles
SNCF Logistics

24 rue Villeneuve, 92583 Clichy Cedex

Principal position held outside the Company

CEO of Rail Freight and Multimodal Transport of SNCF Logistics

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 Business & Rail Service Providers Division of SNCF Logistics, which comprises Freight SNCF and all the group's freight rail transport companies, including foreign companies with responsibilities extended in October 2013 to cover the multi-modal entities.



Yves Galland
The Boeing Company

75 rue du Faubourg Saint-Honoré, 75008 Paris

Principal position held outside the Company

Chairman of Boeing France and Vice President of International Relations for Boeing since 2003

Other directorships and positions held

None.

Other Information

Yves Galland was Deputy Minister for local authorities from 1986 to 1988, Minister of Industry in 1995, and Deputy Minister responsible for Finance and International Trade from 1995 to 1997.

He was Chairman and Chief Executive Officer of Europe Assistance from 2000 to 2003.



Caroline Puechoultres
Karavel – Promovacances

17 rue de l'Échiquier, 75010 Paris

Principal position held outside the Company

Marketing & Strategy director of Karavel – Promovacances

Other directorships and positions held

Director of Lexibook.

Other Information

Caroline Puechoultres began her career at Procter & Gamble France from 1991 to 1997, before becoming Deputy director of Communications in charge of promotions and advertising at M6 Métropole Télévision, until 2000.

From 2000 to 2002, she served as Marketing & Communications director at Tiscali & Liberty Surf, and then became Marketing, Communications & Partnerships director at Disney Télévision France until 2003.

She then joined the Club Méditerranée group as Strategic Marketing Director and was subsequently appointed Chief Executive Officer of the Asia Pacific region from 2006 to 2009 (based in Singapore), before becoming Chief Officer – World Strategy from 2010 until end-2012.

Since 2013, Caroline Puechoultres has held the office of Marketing & Strategy director within the Karavel Promovacances [group.7](#)

Other directors

**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.

**Sophie Lombard****Principal position held outside the Company**

Advisor, Eloa Conseil

Other directorships and positions held

Executive Vice President and director of Financière Gaillon 8, Manager of Eloa Conseil.

Other Information

Sophie Lombard worked for PAI Partners from 2001 to 2012.

Prior to that, she spent three years with Société Générale in the Capital Markets 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.

**Joël Monribot**

19 rue Berbier du Mets, 75013 Paris

Principal position held outside the Company

-

Other directorships and positions held

None.

Other Information

Joël Monribot is a former executive of the Kaufman & Broad group, where he spent most of his career. He joined the group in 1971, first as an Engineer, then Head of Procurement in 1974, and Vice President Land & Development in 1978. Joël Monribot was nominated Vice President, Operations and Real Estate Development in 1980, Senior Vice President in 1986, Chief Executive Officer in 1988, and Chairman of Kaufman & Broad Single-family homes in 1990.

Joël Monribot was appointed Executive Vice President of Kaufman & Broad SA in March 2002 and his appointment was renewed in 2004. He had operational responsibility for all the Housing operations in France and was a member of the Management Committee until April 30, 2009, when he retired.

He was subsequently an Advisor to the Chairman and Chief Executive Officer of Kaufman & Broad SA from September 1, 2010 to November 30, 2012.



Frédéric Stévenin

PAI Partners

232 rue de Rivoli, 75001 Paris

Principal position held outside the Company

Partner, member of the Executive Committee, member of the Investment Committee and head of consumer goods team of PAI Partners.

Other directorships and positions held

Director of PAI Partners UK, 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 director of Casavita SAS and President of Finvita SAS, President of LB PAI HoldCo SAS and member of the Supervisory Board of Lilas France SAS.

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.



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 segment team of PAI Partners and head of Investment Appraisal

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.

**Lionel Zinsou****PAI Partners**

232 rue de Rivoli, 75001 Paris

Principal position held outside the Company

Partner, President and Chairman of the Executive Committee of PAI Partners, member of the Investment Committee

Other directorships and positions held

Director of Danone SA, PAI Syndication GP, PAI Europe III General Partner Ltd, PAI Europe IV General Partner Ltd, PAI Europe V General Partner Ltd, PAI Europe VI General Partner Ltd, director of Investisseurs & Partners, director of I&P Afrique Entrepreneurs, 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.

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 Development; CEO of HP and of Lea & Perrins and a member of the Executive Committee.

In 1997, Lionel Zinsou joined Rothschild & Cie as Managing Partner where he was responsible for the Consumer Goods group for the Middle East and Africa and was a member of the Global Investment Bank Committee.

He was appointed Chairman of PAI Partners in 2009. Lionel Zinsou was director of the Yoplait Group from 2009 to 2011, of the Spie Group between 2009 and 2011, and of the Chr. Hansen Group from 2009 to 2011.

Non-voting member**Thierry Lefevre****Crédit Agricole Corporate & Invst. Bank**

9 quai du Président Paul Doumer
92920 Paris La Défense

Principal position held outside the Company

Managing Director
Head of Structured Real Estate Finance

Other directorships and positions held

Director and CEO of ImmoFi CACIB SA, Chairman and CEO of GETIC SA, director of Finamur SA, Chairman of the Board of Directors of the semi-public company Société d'Économie Mixte Issymedia, Co-manager of Avenir Gérontologie.

Other Information

Thierry Lefevre began his professional career in 1983 as Economic Advisor in the Tunisian-French Chamber of Commerce and Industry in Tunis; then, after an appointment as Assistant Professor (teaching a Master's course in Economics at Paris II), he held, for over 25 years, various positions in the field of complex asset financing, first at Banque Indosuez and then at Crédit Agricole Indosuez and at Calyon.

From 1993 to 2003, he was in charge of Advisory activities and of complex real estate financing at Crédit Agricole Indosuez. In 2003, at Calyon, he was appointed Head of Structured Real Estate Finance for Large Businesses, Institutional Investors and Public Entities and then, from 2010, Managing Director, in charge of Structured Real Estate Finance of CA CIB, the Financing and Investment Bank of the Crédit Agricole group.

At the Shareholders' Meeting called to approve the financial statements for fiscal year 2014, a recommendation was made to the shareholders to ratify the September 30, 2014 co-option by the Board of Directors of Caroline Puechoultres as a director of the Company and to renew her term in office and to renew the terms of office as directors of Sylvie Charles, Sophie Lombard, Nordine Hachemi and Frédéric Stévenin, for a three-year term, i.e., until the close of the Shareholders' Meeting called to approve the financial statements for the fiscal year ending November 30, 2017.

The Board of Directors met seven times in fiscal year 2014 (see Section 3.1.1.2.9. "Meetings of the Board of Directors in 2014").

Under the Internal Rules of Kaufman & Broad SA, each company director must own at least 250 shares. This requirement has been met by all of them.

The directors of the Company have declared that for at least the previous five years they have not:

- been convicted of fraud;
- been involved in any bankruptcies, receiverships or liquidations;
- been subject to any official public incrimination and/or sanctions by the 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 administrative and management bodies

To the Company's knowledge and at the date when 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 of the Management has been selected for that reason;
- no restriction has been agreed 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, amended and updated on June 16, 2014 and described in Section 5.3.3.2. "Shareholders' Agreement";
- there are no family ties between the members of the Board.

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 that its practices comply with the recommendations of the AFEP-MEDEF Code. However, certain provisions have been partly 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.

At the date of this report, Independent Directors made up half the membership of the Audit Committee and one-third of the Compensation and Nominating Committee. This is because the Company is controlled by a majority shareholder. However this must be qualified since the Audit Committee is chaired by an Independent Director.

18.1. No executive Corporate Officer may be a member of the Compensation Committee; and the majority of its members must be Independent Directors. It must be chaired by an Independent Director.

However, the Compensation and Nominating Committee is not chaired by its new Independent Director because he only recently took office.

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 in relation to a change of control or strategy.

Nordine Hachemi's compensation for loss of office 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 *Cour de Cassation* (Supreme Court).

3.1.1.2.2. Provisions governing membership of the Board of Directors

In accordance with the Company's bylaws, Kaufman & Broad SA is managed by a Board of Directors of at least 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 provide that the number of directors as individuals or permanent representatives of legal entities aged 70 or older, may not exceed three directors at the end of each annual Ordinary Shareholders' Meeting convened to approve the statutory financial statements and that no director may hold such office after reaching age 75. The Company's bylaws also provide that the Chairman of the Board of Directors must be an individual under age 70 and that no person may hold the office of Chief Executive Officer or Chief Operating Officer over age 70.

The Board's Internal Rules, detailed below, stipulate that the proportion of Independent Directors must be at least one third of the membership of the Board of Directors.

From among its members, the Board of Directors nominates a Chairman, who must be an individual. The Chairman organizes and directs the work of the Board of Directors, about which he reports 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 ten directors.

3.1.1.2.3. Other provisions of the bylaws and Internal Rules

Article 16 of the bylaws of the Company also stipulates that the Board of Directors may, on recommendation of the Chairman, appoint a maximum of two non-voting members, chosen from among the shareholders. The duty of non-voting members is to monitor, in particular, strict application of the bylaws. They are invited to meetings of the Board of Directors and participate in its deliberations in an advisory capacity; their absence, however, does not affect the validity of these discussions. They review the annual financial statements and submit their observations on them to the Ordinary Shareholders' Meeting when they deem it useful to do so.

On motion of the Chairman and Chief Executive Officer and with the agreement of the representatives of the majority shareholder, the Board of Directors, on September 30, 2014, appointed Thierry Lefevre as non-voting member of the Company's Board for a three-year term. He performs his duties and responsibilities in accordance with Article 16 of the bylaws, without receiving director's fees.

The Board of Directors of the company has set down Internal Rules. These were last updated on February 13, 2009 in order to specifically reflect a certain number of recommendations contained in the AFEP-MEDEF Corporate Governance Code.

These Internal Rules describe the operation, powers and duties of the Board of Directors and specify the Code of Ethics applicable to its members. They also include the rules that apply to holding Board meetings by videoconference 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 and transactions involving Company shares,

They stipulate that the Board may set up committees whose members are responsible for examining subjects 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 release of the Company's 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 purchased thereafter, in registered form, and must inform the AMF of any transaction executed to subscribe for, purchase or sell, directly or through intermediaries, the Company's shares, or any financial futures instruments on these shares.

The Board of Directors' Internal Rules are available on the Kaufman & Broad website (<http://www.ketb.com>).

3.1.1.2.4. Board of Directors' meetings and proceedings

The Board of Directors meets whenever the Company's interests so require, at least twice a year, either at the registered office or at any other place indicated in the notice of meeting. The Chairman may convene meetings by any means, including orally. If the Board has not met for more than two months, 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 management of the Company 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.

Director is provided with all the information required to perform their tasks and may ask for any document he deem useful.

Board meetings are chaired by the Chairman or, in his/her absence, by the Deputy Chairman (if 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 or represented.

Directors who attend the meeting via videoconference or other telecommunications methods in the manner defined by current regulations are deemed present for the purposes of calculating the *quorum*. This provision does not apply to meetings of the Board of Directors where the agenda includes the approval of the annual financial statements, the Consolidated Financial Statements and the management report.

Pursuant to the Internal Rules, the Chairman may ask any director with a conflict of interest, including potential conflicts, not to participate in the deliberations.

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 business strategy and oversee its implementation. With the exception of the powers directly vested in shareholders and subject to 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 items are subject to the Board's prior authorization or approval:

- 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 the assets of which 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 important transaction outside the strategy announced by the Company is subject to prior approval by the Board. The scope of this prior approval covers not only external acquisitions or disposals, but also all significant investments in organic growth and internal company restructuring.

The Board carries out the controls and checks that it deems necessary and is responsible for reviewing and approving the annual and semi-annual (company 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, which since July 10, 2007 has been majority controlled by Financière Gaillon 8, itself controlled by funds managed by PAI Partners, currently includes three out of ten Independent Directors, as defined in the AFEP-MEDEF Code of Corporate Governance of December 2008 and revised in June 2013, out of the ten Board members. The Independent Directors are Sylvie Charles, Caroline Puechoultres and Yves Galland.

At the time of each nomination or reappointment to the Board, the Board examines the applications having regard to the independence criteria described below. The status of each director in respect of 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 a relationship of any kind with the Company, its group or its management, which may 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 who has no management-related duties within the

Company or the 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 be classified as independent, and to prevent any risk of conflicts of interest between the director and the management, the Company or its group, are that he/she:

- is not an employee or executive Corporate Officer of the company, nor an employee or director of its parent company or of a company consolidated with it, and has not been one for the previous five years;
- is not an executive Corporate Officer of a company of which the Company is, directly or indirectly, a director or of which an employee designated as such or an executive Corporate Officer of the Company (currently, or having been one within the previous five years) is a director;
- is not one of the Company's or its group's major customers, suppliers, investment banks or commercial banks for which the Company or its group represents a material portion of its business.

The determination of whether or not a relationship with the Company or its group is material must be made by the Board, and the criteria that led to such determination must be explained in the Registration Document, namely that he/she:

- does not have close family ties with an executive officer;
- has not been a Statutory Auditor of the Company within the previous five years;
- has not been a director of the Company for more than twelve years.

Please note that these are formal criteria: all directors are expected to exercise independent judgment and contribute equally to the Board's deliberations according to their skills and experience, however they are classified.

3.1.1.2.7. Fees allocated to directors

The Board's Internal Rules provide that directors' fees are allocated to the 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 amount allocated to the Board, is paid to the 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.

The Combined Ordinary and Extraordinary Shareholders' Meeting of April 11, 2008 decided to set the total amount of directors' fees allocated annually to the Board of Directors at €260,000, applicable as of the fiscal year ended November 30, 2008 until decided otherwise by the Shareholders' Meeting. 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.

At its meeting on January 21, 2015, the Board of Directors decided, as proposed by the Compensation and Nominating Committee, to pay directors' fees for 2014:

- in a maximum individual amount of €50,000 to the directors of the Company who are considered independent, namely: Sylvie Charles, Caroline Puechoultres, Alain de Pouzilnac, and Yves Galland;
- in a maximum individual amount of €20,000 to the other directors of the Company, with the exception of the Chief Executive Officer, who does not receive directors' fees.

The directors' fees allocated to each director for fiscal year 2014 take into account the attendance of each of them at meetings of Committees and of the Board of Directors.

3.1.1.2.8. Annual Assessment 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 may be consulted on the Company's website, the assessment of its operations by the Board of Directors must appear as an agenda item at least once a year. A formal assessment is made every three years, which may be conducted under the direction of an Independent Director, with the help of an external consultant. The criteria for the assessment of the operation of the Board for fiscal year 2014 were delivered to the directors at the meeting of February 19, 2015. The outcome of the assessment will be presented at the meeting of April 16, 2015.

3.1.1.2.9. Meetings of the Board of Directors in 2014

In fiscal year 2014, the Board of Directors met seven times (the attendance rate of directors at Board meetings was 85%⁽¹⁾):

- on **January 24, 2014**, the Board of Directors met with nine members in attendance 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 fiscal 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,
 - review of the Press release,
 - resignation of Guy Nafilyan from his office as director and as Chairman of the Board of Directors,
 - amendment to Corporate governance concerning the performance of the duties of Chairman of the Board of Directors and of 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,
- compensation of Corporate Officers and management for 2014,
- amount of directors' fees – allocation for fiscal 2013,
- approval of the 2014 budget,
- review of management forecasts and of the report analyzing these documents;
- on **February 20, 2014**, the Board of Directors met with six members in attendance 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 fiscal 2013,
 - review and approval of the Company's financial statements at November 30, 2013 and recommended appropriation of the net profits for the fiscal year,
 - review and approval of Consolidated Financial Statements for the fiscal year ended November 30, 2013,
 - agreements and commitments 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 delegations of authority for reductions and increases in capital,
 - 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;
- on **March 10, 2014**, the Board of Directors met with seven members attending and discussed the following agenda:
 - presentation and authorization of the Company's new financing under conditions precedent;

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

- on **April 11, 2014**, the Board of Directors met with seven members in attendance and discussed the following agenda:
 - report of the Audit Committee,
 - 1st quarter 2014 business activities,
 - 1st quarter 2014 financial results,
 - presentation of the 2014 budget update,
 - bonus share plan;
 - on **April 14, 2014**, the Board of Directors met with seven members in attendance and discussed the following agenda:
 - defining the performance criteria for awarding bonus shares to executive Corporate Officers;
 - on **July 9, 2014**, the Board of Directors met with nine members in attendance and discussed the following agenda:
 - report of the Audit Committee: minutes of the meeting of July 8, 2014,
 - review and approval of the semi-annual Consolidated Financial Statements at May 31, 2014,
 - update III: presentation of the 2014 Plan and trends for 2015,
 - report on the recruiting of an Independent Director and the appointment of a non-voting member,
 - allocation of the shares acquired by the Company under the share buyback program;
 - on **September 30, 2014**, the Board of Directors met with ten members in attendance and discussed the following agenda:
 - report of the Audit Committee: minutes of the meeting of September 30, 2014,
 - appointment of a non-voting member to the Board,
 - proposed co-option of a new Independent Director,
 - presentation of the estimated consolidated financial data at August 31, 2014,
 - review and approval of the revised draft management documents for 2014 and of the report analyzing those documents;
- Since November 30, 2014, the Board of Directors has met twice:
- on **January 21, 2015**, the Board of Directors met with nine members in attendance and discussed the following agenda:
 - report of the Audit Committee: minutes of the meeting of January 21, 2015,
 - review of the estimated consolidated financial data at November 30, 2014,
 - approval of the 2015 budget, review and approval of the draft management documents and the report analyzing those documents,
 - proposal to pay an interim dividend for the fiscal year ended November 30, 2014,
 - marketing/communications presentation,
 - report of the Compensation and Nominating Committee – minutes of the meeting of January 16, 2015,
 - compensation of Corporate Officers and management for fiscal years 2014 and 2015,
 - amount of directors' fees: allocation for fiscal year 2014;
 - on **February 19, 2015**, the Board of Directors met with seven members in attendance and discussed the following agenda:
 - report of the Audit Committee of February 17, 2015,
 - report of the Compensation and Nominating Committee of February 13, 2015,
 - review and approval of the statutory financial statements as at November 30, 2014 and recommended appropriation of the net profits for the fiscal year – payment of an interim dividend for the fiscal year ended November 30, 2014,
 - review and approval of Consolidated Financial Statements for the fiscal year ended November 30, 2014,
 - agreements and commitments referred to in Articles L. 225-38 and L. 225-42-1 of the French Commercial Code,
 - 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,
 - renewal of the authority to make pledges and guarantees,
 - record of the end of terms of office of directors – motion to ratify the co-option of a director – appointment of directors,
 - record of the end of the appointment of the Statutory Auditors, motion to renew the appointment of the Statutory Auditors for a six-year term,
 - renewal of the share buyback program,
 - notice of meeting of a Combined Ordinary and Extraordinary Shareholders' Meeting and setting the agenda and the text of the draft resolutions,
 - review of company policy regarding gender and pay equity,
 - marketing/communications presentation.

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 task is to conduct a preliminary review of the financial statements and the 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

The organization, powers and operations of the Audit Committee are described in a charter. At the Board meetings of January 22, 2009 and February 13, 2009, several clarifications were added to the Committee's charter, to take into account the AFEP-MEDEF Code of Corporate Governance and to 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. Membership 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 pointed out in the Audit Committee charter that said 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, in particular, on the basis of:
 - their independence, and
 - their expertise in financial or accountancy matters; more specifically, at least one member of the Committee shall be independent and have special expertise in financial and/or accountancy matters acquired during the course of his/her professional career,
 - the members of said Committee are appointed for an indefinite term, and their term of office will, in any event, expire at the same time as their term of office as a director, and
 - at the time of their nomination, Committee members shall receive information regarding the specific nature of the Company's accounting, financial and operating procedures.

The Audit Committee comprises four members appointed for their term of office as directors: Sophie Lombard, appointed on September 29, 2010; Frédéric Stévenin, appointed on July 10, 2007; and two Independent Directors, Sylvie Charles, appointed on February 16, 2012 and Chairman as from September 30, 2014, and Yves Galland, nominated on July 10, 2007 and Chairman until September 30, 2014.

The Audit Committee benefits from the strong financial and accountancy skills provided by all its members, whether they are classified as independent, or not:

- Sophie Lombard, thanks to her position at the PAI Partners private equity firm;
- Frédéric Stévenin, thanks to his position at the PAI Partners private equity firm;
- Sylvie Charles, thanks to her current terms of office as CEO of Rail Freight and Multimodal Transport of SNCF Logistics, 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 General Management positions in the past;
- Yves Galland, thanks to his current term of office as Chairman of Boeing France and his prior positions, especially as Minister of Industry and Chairman and CEO of Europe Assistance;

Given the level of ownership 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 since two of the 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 Company's Audit Committee stipulates that its members are required to make a prior review of the accounts and risks of the Company, specifically:

- reviewing the financial statements, of the relevance and consistency of the regulatory accounting methods used to prepare the statutory financial statements and Consolidated Financial Statements, and of 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 reviewing the significant off-balance sheet commitments;
- monitoring the accounting treatment of any significant transaction entered into by the Company;
- monitoring the internal data collection and control procedures and the quality and reliability of the Company's financial statements;
- controlling, before publication, all the accounting and financial documents, in particular in relation to the approval of the statutory financial statements and semi-annual and annual Consolidated Financial Statements;
- monitoring the Company's financing policy and the risks relating thereto;

- monitoring the independence and objectivity rules for the Statutory Auditors.

Members of the Audit Committee must also review the effectiveness of the group's internal control and risk management procedures to enable the Board of Directors to assess their appropriateness.

Finally, it should be noted that the Audit Committee does not make decisions that are binding on the Company; its role is restricted to preparing the information which the Board of Directors will use at its meetings, and drafting recommendations for use by the Board.

3.1.2.1.4. Functioning of the Audit Committee

Meetings of the Audit Committee are validly held if at least half of its members are present. The Audit Committee's agenda is set by its 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 prior to 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's charter specifically stipulates that the Committee's review of the annual or semi-annual financial statements must be accompanied by a presentation by the Statutory Auditors highlighting the key points of the results and the accounting methods used, and a presentation by the Chief Financial Officer describing the Company's exposure to risks and significant off-balance sheet commitments.

The Chairman and CEO, the Senior Vice President and Chief Financial Officer, the director of Management Control, Reporting and Financial Information, the Director of Accounting and Consolidation, the Tax director, the Internal Audit Officer and the Statutory Auditors of the group are invited to attend meetings of the Committee.

The Committee may also interview the Company's employees or its Statutory Auditors without management present but management must be informed about this in advance.

The Committee's Chairman submits a report on its work to the Board of Directors and 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). It may request additional reports, if required.

For its review of the financial statements, the Audit Committee receives the following documents:

- the draft financial statements and notes which will be submitted to the Board of Directors, as well as any information enabling verification of the method used to prepare the financial statements, of the permanence and

appropriateness of the accounting methods and principles applied, and of the accounting standards and scope of consolidation;

- a summary note prepared by the Statutory Auditors highlighting the key points of their work;
- a communication from the Chief Financial Officer describing the Company's main exposure to risks and significant off-balance sheet commitments;
- information enabling a detailed review to be made of the significant transactions that took place 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 administrative bodies".

3.1.2.1.6. Allocation of the directors' fees to be 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 2014

In fiscal year 2014, the Audit Committee met six times (the attendance rate of directors of Audit Committee meetings was 79%)⁽¹⁾:

- on **December 19, 2013** the Audit Committee met with four members in attendance and discussed the following agenda:
 - update on the tax audit by Kaufman & Broad in relation to its subsidiary Kaufman & Broad Europe,
 - update on the St-Tropez program,
 - update on the procedures for recording orders;
- on **January 24, 2014**, the Audit Committee met with three members in attendance 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 these 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 in attendance and discussed the following agenda:
 - review of the notes to the Consolidated Financial Statements at November 30, 2013,
 - review of the Company's financial statements at November 30, 2013 and recommended appropriation of the net profits 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 (D.C.I.) and 2013 annual summary,
 - other actions by the Internal Audit in 2013,
 - 2014 draft plan of the tests on the internal control system (D.C.I.);
- on **April 9, 2014**, the Audit Committee met with two members in attendance and discussed the following agenda:
 - review of estimated consolidated financial data for 1st quarter 2014 and review of the main potential risks identified to date,
 - review of the revised 2014 budget (Update II);
- on **July 8, 2014**, the Audit Committee met with three members in attendance and discussed the following agenda:
 - review of business activity in the first half of 2014,
 - Internal Audit: presentation of the results of the D.C.I. (Internal Control System) tests at the end of Q1 2014 and specific points,
 - review of estimated financial data for 1st half of 2014 and review of the main potential risks identified to date,
 - update III: presentation of revised 2014 Plan and trends for 2015;
- on **September 30, 2014**, the Audit Committee met with four members in attendance and discussed the following agenda:
 - review of the estimated consolidated financial data at August 31, 2014,
 - presentation of the revised management forecasts for 2014 and the analysis of these documents,
 - quarterly results of the D.C.I. (Internal Control System) tests and other audit-related items.

Since November 30, 2014, the Audit Committee has met twice:

- on **January 21, 2015**, the Audit Committee met with four members in attendance and discussed the following agenda:
 - review of the estimated consolidated financial data at November 30, 2014,
 - comments of the Statutory Auditors on the estimated consolidated financial data at November 30, 2014,
 - review of the 2015 budget;
- on **February 17, 2015**, the Audit Committee met with four members in attendance and discussed the following agenda:
 - review of the notes to the Consolidated Financial Statements at November 30, 2014,
 - review of the statutory financial statements at November 30, 2014 and recommended appropriation of the net profits for the year,
 - proposal to pay an interim dividend for the fiscal year ended November 30, 2014,
 - comments of the Statutory Auditors on the Company's financial statements at November 30, 2014,
 - review of the Chairman's report on Corporate governance and internal control,
 - Internal Audit:
 - results of the H2 2014 tests of the internal control system (D.C.I.) and annual summary for 2014,
 - other actions taken by the Internal Audit in 2014,
 - 2015 draft plan of tests on the internal control system (D.C.I.),
 - appointment of the Statutory Auditors – recommendations to be made,
 - presentation of the draft report of KPMG, an independent third party, on the Corporate, environmental and societal information included in the management report.

The Statutory Auditors attended all meetings of the Audit Committee and were also invited to make any observations they deemed useful to bring to the attention of members of the Committee.

3.1.2.2. Compensation and Nominating Committee

3.1.2.2.1. Membership and tasks

The Board's Internal Rules provide that the Compensation and Nominating Committee is composed of three directors and at least one of them must be independent. It is chaired by an Independent Director. To date, its members are: Sophie Lombard, appointed at the meeting of the Board of Directors of February 17, 2011; Caroline Puechoultres, Independent Director, appointed at the meeting of the Board of Directors of September 30, 2014; and Frédéric Stévenin appointed on July 10, 2007 and Chairman as from April 11, 2014 to replace Alain de Pouzilhac, who resigned.

Given the level of ownership of the majority shareholder, and the recent entry into office of the new Independent Director, the Compensation and Nominating Committee is not composed of a majority of Independent Directors nor chaired by an Independent Director as recommended by the AFEP-MEDEF Code.

The task 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 benefits in-kind granted, for whatever reason, to members of the Company's administrative and management bodies during the last fiscal year".

In particular, it recommends the amounts of directors' fees and the individual compensation to be allocated to directors, based on their attendance at meetings of the Board and of Board Committees. The Committee also provides the Board of Directors with advice on the general policy for granting stock purchase and/or subscription options and bonus shares, and on option plans prepared by the group's general management. The Committee also submits recommendations to the Board for the award of stock purchase or subscription options or bonus shares.

Finally, it prepares recommendations to the Board of Directors concerning the nomination 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 are within the Committee's jurisdiction and to prepare recommendations for the attention of the Board.

The duties and operating procedures of the Committee are described 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 executive Corporate Officers and directors so that it is in a position to advise the Board on succession in case 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 administrative bodies".

3.1.2.2.3. Meetings of the Compensation and Nominating Committee in 2014

In fiscal year 2014, the Compensation and Nominating Committee met four times (the attendance rate of directors in the meetings of the Compensation and Nomination Committee was 100%)⁽¹⁾:

- on **January 16, 2014**, the Compensation and Nominating Committee met with three members in attendance and discussed the following agenda:
 - resignation of Guy Nafilyan from his office as a director and as Chairman of the Board of Directors,
 - amendment of Corporate governance concerning the performance of the duties of the Chairman of the Board of Directors and of the 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 fiscal year 2014, the amounts of variable compensation, criteria, weightings, objectives, and the tables of calculations for variable pay,
- bonus share grants – proposal for 2014,
- amount of directors' fees – recommended allocation for fiscal year 2013;

- on **February 12, 2014** the Compensation and Nominating Committee met with three members in attendance and it discussed the following agenda:

- compensation of Corporate Officers and management for fiscal year 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;

- on **April 14, 2014**, the Compensation and Nominating Committee met with three members in attendance and discussed the following agenda:

- bonus share award to employees Corporate Officers: performance condition;

- on **July 25, 2014**, the Compensation and Nominating Committee met with three members in attendance and discussed the following agenda:

- appointment of an Independent Director to replace Alain de Pouzilhac, who resigned.

Since November 30, 2014, the Compensation and Nominating Committee has met twice:

- on **January 16, 2015**, the Compensation and Nominating Committee met with three members in attendance and discussed the following agenda:

- variable compensation of Corporate Officers and management for fiscal year 2014,
- bonus share award of April 11, 2014 – Nordine Hachemi's performance criteria met for definitive award on April 11, 2016,
- compensation of Corporate Officers and management for 2015, amount of variable compensation, criteria, weightings, objectives, and the tables of calculations for variable pay,
- bonus share award – proposal for 2015,
- bonus share award – new plan proposal for 2016 -2017,
- amount of directors' fees – recommended allocation for fiscal year 2014;

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

- on **February 13, 2015** the Compensation and Nominating Committee met with three members in attendance and discussed the following agenda:
 - motion to renew the appointments of directors whose terms of office will end at the Ordinary Shareholders' Meeting called to approve the financial statements for fiscal year 2014, i.e., the appointments of Nordine Hachemi,

Sophie Lombard, Frédéric Stévenin, Sylvie Charles, and Caroline Puechoultres,

- bonus share award – proposal for 2015,
- bonus share award to Corporate Officer employees: performance conditions,
- bonus share award – new plan proposal for 2016-2017.

3.1.3. Responsibilities and powers of the Chairman and Chief Executive Officer and the Chief Operating Officers

The Chairman of the Board of Directors is responsible for management of the Company.

At its meeting of January 24, 2014, the Board of Directors decided, in relation to Guy Nafilyan's resignation from his office as Chairman of the Company's Board of Directors, to remodel the Company's governance structure and therefore decided that management of the Company would be placed under the responsibility of the Chairman of the Board of Directors. Accordingly, Nordine Hachemi was thus appointed with immediate effect as the Company's Chairman and 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. These powers are exercised within the limits of the Corporate purpose, subject to the powers which the Law expressly attributes to Shareholders' Meetings or which it specifically reserves to the Board of Directors, as well as within the limits of the transactions that are subject to the prior authorization of the Board in accordance with its Internal Rules. The Chairman and Chief Executive Officer represents the Company with respect to third parties. 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 when the Chief Executive Officer is also Chairman of the Board of Directors.

On February 20, 2014, the Board of Directors renewed for a term of one year the authorization granted to its Chairman and Chief Executive Officer, together with the right to delegate such authority, to issue on the Company's any sureties, pledges or guarantees (including any performance bonds):

- in favor of the tax and customs authorities, without any limitation as to term or amount;
- in favor of any other third party, without any limitation as to term and in a total amount not exceeding €2,200,000,000, including any amounts required for performance bonds.

The Board of Directors renewed this authorization for another year and for the same total amount on February 19, 2015.

On a recommendation submitted by the Chairman and Chief Executive Officer, the Board of Directors may appoint one or more Deputy Chief Executive Officers, provided that their number may not exceed five. They must be individuals. They do not have to be directors. In agreement with the Chairman and Chief Executive Officer, the Board determines the scope and term of the powers granted to Deputy Chief Executive Officers. The Company has no Deputy Chief Executive Officers.

3.1.4. Senior Executives

The management of the group is organized under the leadership of the Chairman and Chief Executive Officer, Nordine Hachemi.

3.1.4.1. Management Committee

As from January 2015, Kaufman & Broad's Management Committee is composed of eight members: Nordine Hachemi, Chairman and Chief Executive Officer, Bruno Coche, Senior Vice President and Chief Financial Officer, Dominique Podesta, Senior Vice President Human Resources, Jacques Rubio, Senior Vice President Southwest, William Truchy, Senior Vice President Major Regions, Christian Delapierre, Senior Vice President Institutional Sales, Bertrand Saugnac, Head of Communications and Marketing Director, and David Laurent, Senior Vice President Commercial Property.

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 a director 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 Deputy Chairman of the Board of Directors.

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, Senior Vice President and Chief Financial Officer

Bruno Coche has a law degree and is a graduate of IEP Bordeaux. In 1989, he joined the Sediver group as Head of the Treasury Department and 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 Treasury and Finance in a Europe and contributed to the growth of the group and in equity capital transactions.

He joined Kaufman & Broad in June 2002 as director of Treasury and Finance. In this role, he contributed to the growth of the group and participated in the structuring of its financing. He has been Senior Vice President and Chief Financial Officer and a member of the Management Committee since December 2009.

3.1.4.1.3. Dominique Podesta, Senior Vice President Human Resources

Dominique Podesta, a 1991 graduate of Amiens Business School (Sup de Co Amiens), began her career with the Human Resources Department of Banque Worms, and subsequently joined the Association Française des Banques as an HR Business Analyst. In 1999, at Deloitte Consulting, she continued her career as Human Resources Manager for the Information Systems Consulting entity. In 2001, she joined Groupe Monnoyeur where she was Human Resources Manager for the Bergerat Monnoyeur subsidiary. In 2003, she assumed Corporate responsibilities and became the HR director of Groupe Monnoyeur in 2009. At the same time she was a member of the Management Committee and managed the Bergerat Monnoyeur Human Resources. Dominique Podesta joined the Kaufman group in January 2015 as director of Human Resources and, since that date, she has been a member of the Management Committee.

3.1.4.1.4. Jacques Rubio, Senior Vice President Southwest

In 1975, after studying engineering, Jacques Rubio and the Malardeau family formed SA Malardeau, a real estate company in southern France. He served as Corporate Secretary, and then became 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 Major Regions

After gaining a degree in business studies, 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 Bourgogne 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 Institutional Sales

Christian Delapierre, with 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 Head of Development and subsequently as an Agency Director. In 1989, he joined the Kaufman & Broad group as Vice President of Development. In 2007, he became Head of the Single-Family Homes department in Île-de-France and then of Institutional Sales, in 2009, 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 Director**

Bertrand Saugnac, a graduate of the 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, Products 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.

3.1.4.1.8. **David Laurent, Senior Vice President Commercial Property**

David Laurent, is a graduate of École Centrale de Nantes, holds a Diploma of Advanced Studies (DEA) in Civil Engineering and a Master's in Urban Management, Environment and Services from

ESSEC. He began his career with Spie Citra immobilier (Groupe Spie Batignolles) in 1996 as a business analyst for strategy and marketing, and then became head of operations. He joined Sorif (which since has been renamed Vinci Immobilier) in 1999 where he was successively manager, head and then director of programs. In 2008, he became director of Development of SOPIC Paris and then joined Kaufman & Broad at end-2011 as Senior Vice President Commercial Property. He has been a member of the Management Committee since January 2015.

The members of the Management Committee have declared that they have not, for at least the previous five years:

- been convicted of fraud;
- 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, either between the members of the Management Committee, or between the members of the administrative bodies, or between the members of the Management Committee 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 member of the Audit Committee of Kaufman & Broad.SA.

3.1.4.2. Operational Divisions

The different regional offices of the group are:

Paris/Île-de-France

Nordine Hachemi is in charge of management for the Île-de-France Region

Frédéric Bourg, Senior Vice President Île-de-France, Inner suburbs (75, 92 and 93)

Île-de-France

Cyril Doucet, Regional Director, Outer Paris suburbs (77, 78, 91, 94 and 95)

Marc Vettraino, Agency Director (77, 91 and 94)

West/North/Rhône Alpes/Southeast Region

William Truchy, Senior Vice President Major Regions

Nord Flandres

Olivier Hepp, Agency Director, Lille

Loire-Atlantique/Bretagne

Christophe Duretete, Regional Director, Nantes and Rennes

Rhône-Alpes/Méditerranée/Savoie

Marc Speisser, Senior Vice President Regions

Rhône-Alpes

François-Xavier Delfour, Agency Director, Lyon

Côte d'Azur/Provence

Stéphane Gress, Regional Director, Nice and Toulon

Midi-Pyrénées/Aquitaine/Languedoc-Roussillon Region

Jacques Rubio, Senior Vice President Southwest

Languedoc-Roussillon

Béatrice Mortier, Agency Director, Montpellier

Pyrénées-Atlantiques

Denis Caniaux, Agency Director, Bayonne

Gironde

Georges Lopez, Agency Director, Bordeaux

Midi-Pyrénées

Tony Aringoli, Agency Director, Toulouse

Commercial Property

David Laurent, Senior Vice President Commercial Property

Thierry Bruneau, CEO Property Logistics

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 directorships and positions

Kaufman & Broad SA	Chairman and Chief Executive Officer
Kaufman & Broad GIE	Director
Kaufman & Broad Financement SNC	Representative of Kaufman & Broad SA, as Manager
Kaufman & Broad Rénovation SAS	Representative of Kaufman & Broad SA, as Chairman
Saint-Cloud Armengaud 15 SNC	Representative of Kaufman & Broad SA, as Joint Manager
Kaufman & Broad Europe SAS	Representative of Kaufman & Broad SA, as Chairman

Outside directorships and positions

RKCI	Chairman
Citizen Capital	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 benefits in-kind granted, for whatever reason, to members of the Company's administrative and management bodies during the last fiscal year

3.2.1.1. Compensation of members of the administrative bodies

On the recommendation of the Compensation and Nominating Committee, the Board of Directors in its meeting of January 21, 2015, resolved to pay a total amount of €239,067 in directors' fees for the fiscal year ended November 30, 2014, broken down as follows, based on the criteria listed in Section 3.1.1.2.7. "Fees allocated to directors":

Table 3 AMF Definitions

Non-executive Corporate Officers (amounts in euros)	Directors' fees received by the non-executive Corporate Officers	
	Amount paid in fiscal year 2015	Amount paid in fiscal year 2014
Sylvie Charles	47,800	38,800
Alexandre Dejoie	20,000	-
Yves Galland	50,000	50,000
Sophie Lombard	20,000	20,000
Joël Monribot	17,867	-
Alain de Pouzilhac	18,933	50,000
Caroline Puechoultres	4,467	-
Frédéric Stévenin	20,000	20,000
Olivier de Vregille	20,000	16,667
Lionel Zinsou	20,000	20,000
Total	239,067	215,467

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

3.2.1.2. Compensation of members of management bodies

3.2.1.2.1. Compensation of 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 Senior Vice President and Chief Executive Officer and to the Deputy Chief Executive Officer, if applicable, for their respective offices, particularly the variable component of their compensation.

In accordance with the Company's decision to refer to the AFEP-MEDEF Code of Corporate Governance, the Board of Directors, with the assistance of the Compensation and Nominating Committee, now defines the rules for determining the compensation paid to executive Corporate Officers, ensuring, in particular: that the rules are complete, understandable and transparent; that the compensation package is balanced; that the compensation is consistent, firstly, with the Company's market and with the amount paid to other directors and employees of the group and, secondly, with market rates, with the performance of the director concerned and with the general interests of the Company; and that the compensation will attract, retain and/or motivate high-caliber directors.

The compensation and benefits paid for fiscal year 2014 to Kaufman & Broad SA's executive Corporate Officers are listed in the following table:

Table 1 AMF Definitions

Table summarizing the 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, 2014	Fiscal year ended November 30, 2013
Compensation for the year (detailed in Table 2)	1,341,734	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)	203,351	-
Total	1,545,085	505,170

Guy Nafilyan (Chairman of the Board directors until January 24, 2014)	Fiscal year ended November 30, 2014	Fiscal year ended November 30, 2013
Compensation for the year (detailed in Table 2)	75,276	1,758,816
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	75,276	1,758,816

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, 2014		Fiscal year ended November 30, 2013	
	Amount due ^(a)	Amount paid	Amount due ^(a)	Amount paid
Fixed compensation ^(a)	600,000	600,000	250,000	250,000
Annual variable compensation	721,437 ^(b)	225,000 ^(c)	225,000	-
Multi-year variable compensation	-	-	-	-
Exceptional compensation	-	25,000 ^(c)	25,000	-
Directors' fees	-	-	-	-
Benefits in kind	20,297	20,297	5,170	5,170
Total	1,341,734	870,297	505,170	255,170

(a) The fixed compensation amount was approved by the Board of Directors on January 24, 2014.

(b) The variable compensation for fiscal year 2014 was approved by the Board of Directors on January 21, 2015 and was paid in 2015.

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

Nordine Hachemi has been 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 the contribution paid by the Company for fiscal year 2014 was €24,030.72, 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 Company shares since December 4, 2013.

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

	Amount due ^(a)	Amount paid	Amount due ^(a)	Amount paid
Fixed compensation ^(a)	74,358	74,358	514,583	514,523
Annual variable compensation	-	618,323 ^(b)	1,236,646 ^(b)	1,509,566 ^(c)
Multi-year variable compensation	-	-	-	-
Exceptional compensation	-	-	-	-
Directors' fees	-	-	-	-
Benefits in kind	918	918	7,587	7,587
Total	75,276	693,599	1,758,816	2,031,676

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

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

(c) This variable compensation corresponds to the amount due for fiscal year 2012 plus that due for fiscal year 2013, half of which was paid in July 2013 and 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.

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 of office as Chief Executive Officer.

At January 24, 2014, at the end of his term of office, the Chairman held 98,006 Company shares.

Table 4 AMF Definitions

Stock subscription or purchase options granted by the issuer or by any group company to each executive Corporate Officer during the fiscal year ended November 30, 2014

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	-

Table 5 AMF Definitions

Stock subscription or purchase options exercised during the fiscal year ended November 30, 2014
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	-

Table 6 AMF Definitions

Bonus shares granted to each Corporate Officer

Bonus shares granted during the fiscal 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 vesting	Availability Date
Nordine Hachemi	04/11/2014	12,000	203,351	04/11/2016	04/11/2018
Guy Nafilyan		None	-	-	-

The Board of Directors awarded 12,000 shares to Nordine Hachemi under the following performance conditions:

1. The first condition was related to the number of housing unit orders recorded at June 30, 2014, one year after Nordine Hachemi took office. The number of housing orders to be achieved during the period from July 1, 2013 to June 30, 2014 was set at 5,350, with a 5% tolerance.

This first performance target would therefore be met if the number of housing units ordered recorded from July 1, 2013 to June 30, 2014 exceeds 5,082 housing units.

From July 1, 2013 to June 30, 2014, 5,457 housing units were ordered.

2. The second performance condition was to keep the key executives employed within the Company in order to ensure business continuity and Company growth. The performance condition was to keep at least 80% of the members of the group's management team until the end of the fiscal year, i.e., at November 30, 2014.

At November 30, 2014, 95% of executives (19 out of 20) were still in office within the group.

Both the performance conditions set by the Board were met. The definitive award of shares is now therefore only subject to the double condition of being in executive office and working for the Company, as defined in the share award rules approved by the Board of Directors on April 11, 2014, i.e., as at April 12, 2016.

Table 7 AMF Definitions

Bonus shares vested during fiscal year 2014 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 vesting
Nordine Hachemi	-	None	-
Guy Nafilyan	-	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)	No	Yes ^(a)	Yes ^(b)	Yes ^(c)
Guy Nafilyan (Chairman and Chief Executive Officer from January 11, 1983 until June 30, 2013, Chairman of the Board of Directors from July 1, 2013 to January 24, 2014)	Yes ^(d)	Yes ^(e)	No	No

(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 €24,030.72 for fiscal year 2014, corresponding to the annual contributions capped at 8% of gross salary, up to a maximum of eight times the Social Security ceiling.

(b) Compensation for dismissal is equal to twelve months' gross fixed and variable compensation for the past fiscal year, 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 offer for the Company's 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 was entitled to a supplemental defined contributions 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 Company paid contributions into this plan for fiscal year 2013 in the amount 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 until the end of his term of office.

On June 25, 2013, the Board of Directors nominated Nordine Hachemi as Director and Deputy 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 his contract specify that he will receive gross annual compensation in the amount of €600,000

paid in twelve monthly installments. In addition to this fixed compensation, he will receive, if applicable, annual variable compensation conditional on meeting quantitative and qualitative targets set by the Board of Directors. The variable compensation will be paid in the January following the end of the fiscal year, provided that he is still with the group at that date.

Moreover, in the event of dismissal from office for any reason other than gross misconduct, as defined in labor law by the Cour de Cassation (the Supreme Court), the Company undertakes to pay the Chief Executive Officer compensation for loss of office to compensate him for the loss suffered by the loss of his position.

In the event of dismissal, the compensation for loss of office will be equal to 12 months gross fixed and variable pay for the last fiscal year, 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 offer for the Company's shares.

Whatever 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 of 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.

Nordine Hachemi benefits from 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).

At the Board Meeting of January 24, 2014 Nordine Hachemi was nominated Chairman and Chief Executive Officer of the Company.

At that Meeting, the Chairman's fixed annual compensation was maintained at €600,000 gross for fiscal year 2014; in addition, it comprises variable compensation tied to Kaufman & Broad SA'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 factors, each subject to weighting, and 30% will be calculated using qualitative factors (such as: management of the group's teams, diversification/development, preparation for fiscal year 2015).

In compliance with Article L. 225-42-1 of the French Commercial Code, the provisions relating to commitments made for the benefit of Nordine Hachemi on the occasion of his appointment to these positions was subject to the approval of the Shareholders' Meeting of April 11, 2014, which approved them.

The achievement of these qualitative targets was assessed by the Compensation and Nominating Committee at the end of the fiscal year, on January 16, 2015.

After calculation and assessment of the achievement of the targets set for fiscal year 2014, the Board of Directors at its meeting of January 21, 2015, on the recommendation of the Compensation and Nominating Committee of January 16, 2015, set the amount of the variable compensation payable to the Chairman in January 2015 at €721,437 gross.

At the Board Meeting of January 21, 2015, the fixed annual compensation of Nordine Hachemi was maintained at €600,000 gross for fiscal year 2015. His variable compensation was tied to Kaufman & Broad SA's business targets for the fiscal year. The amount of this variable compensation, based on achieving the targets, was set at €700,000 gross for fiscal year 2015. Seventy percent of 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 2015; and thirty percent of that amount was based on the following qualitative elements: management of group teams, diversification/development, preparation for fiscal year 2016.

To receive this variable compensation, Nordine Hachemi must remain in office without interruption until the payment of this bonus, to be paid in a one-time payment in January 2016. If he leaves the Kaufman & Broad SA group or if, for any reason, his position is terminated before such date, he will not receive any portion of this variable compensation.

3.2.1.3. Compensation of members of the Management Committee

Management Committee members receive fixed and variable compensation. Total gross compensation and benefits received by members of the Management Committee (excluding Kaufman & Broad SA's Corporate Officers) came to €1,880,650 for the fiscal year ended November 30, 2014, representing €1,036,000 in fixed salaries and €844,650 in variable compensation. Management Committee members do not receive any other deferred and/or conditional compensation and the group does not make provisions for pensions or golden parachutes. The only sums provisioned are those for retirement benefits in accordance with the legal or contractual provisions. For members of the Management Committee, the amount provisioned was €613,783 in the financial statements for fiscal year 2014. Moreover, Management Committee members, including the executive Corporate Officers, are also entitled to a supplemental defined contribution pension plan under Article 83 of the French General Tax Code.

At November 30, 2014, the members of the Management Committee held (i) stock purchase options awarded on April 19, 2006 for the purchase of a total of 12,800 Company shares, and (ii): 10,953 bonus shares granted on November 6, 2007; 2,800 bonus shares awarded on December 3, 2007; 46,757 bonus shares awarded on February 13 and July 8, 2009; 19,000 bonus shares awarded on January 20, 2010; 16,000 bonus shares awarded on February 17, 2011 and 6,500 bonus shares awarded on January 22, 2013. These shares vested two years after they were awarded. They were also awarded 15,000 bonus shares on April 11, 2014. These shares will vest two years after the decision to grant them only if the beneficiaries meet the conditions of the plan. The minimum holding period for the shares is set at two years from the vesting date.

NB: The compensation of executive Corporate Officers and members of the Management Committee, mentioned in Sections 3.2.1.2.1. "Compensation of Corporate Officers" and 3.2.1.3. "Compensation of members of the Management Committee", since it deals with directors' interests, is generally paid by GIE Kaufman & Broad for the 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 Shareholders' Meeting authorized the stock purchase option and bonus share plans and the Board of Directors of Kaufman & Broad SA decided the allocations to the beneficiaries. 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 purchase or subscription option plans – Awards of bonus shares – Awards of 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 – Awards of bonus shares – Awards of 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 30 "Related party Transactions") and 9.3.3. "Auditors' Special Report on related-party agreements and commitments".

3.2.7. Components of the compensation due or awarded for the fiscal year ended November 30, 2014 to executive Corporate Officers, subject to the vote of the shareholders

In accordance with recommendations of the AFEP-MEDEF Code revised in June 2013 (Article 24.3), the code that the Company applies pursuant to Article L. 225 -37 of the French Commercial Code, the following components of the compensation due or awarded to each executive Corporate Officer for the fiscal year ended must be subject to the vote of the shareholders:

- fixed compensation;
- annual variable compensation and, if applicable, the multi-year variable compensation and the targets used to define such variable compensation;

- exceptional compensation;
- stock options, performance shares and any other long-term compensation component;
- compensation relating to entering or leaving office;
- supplemental retirement plan;
- any type of benefits.

Accordingly, the Shareholders' Meeting of April 16, 2015 will be asked to vote on the following components of the compensation due or awarded to Nordine Hachemi for the fiscal year ended November 30, 2014.

Compensation components due or awarded to Nordine Hachemi, Chairman and Chief Executive Officer since January 24, 2014 for the fiscal year ended November 30, 2014, subject to the vote of the shareholders

Compensation components	Amounts	Comments
Fixed compensation	€600,000	-
Variable compensation	€721,437	Amount approved by the Board of Directors on January 21, 2015
Multi-year variable compensation	-	-
Directors' fees	none	-
Exceptional compensation	none	-
Stock purchase or subscription plans or bonus shares	€203,351	12,000 bonus shares awarded by the Board of Directors and subject to performance conditions. Conditions met for fiscal year 2014.
Pay related to entering or leaving office;	none	-
Supplemental retirement plan	€24,031	Annual contributions capped at 8% of gross salary up to a maximum of eight times the maximum Social Security contribution.
Any type of benefits	€20,297	Company car and entertainment expenses

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

As part of the IPO in February 2000, a *Plan d'Epargne Entreprise* (Company savings plan) was introduced and subsequently amended in February 2001, March 2002, July 2003, September and December 2006, December 2007, December 2008, December 2009 and December 2014. The savings collected under this plan are invested in the *Kaufman & Broad Actionnariat FCPE* (Company mutual fund), the assets of which consist primarily of shares of the Company or, at the choice of the employees, in *Capri Euro Monétaire*,

a mutual fund classified on the basis of its investment in the money markets, or in *Fongepargne Insertions Emplois Modéré Solidaire*, a solidarity fund classified on the basis of its investment in Eurobonds, and with 5% to 10% invested in 'solidarity' businesses as defined in Article L. 214-164 of the French Monetary and Financial Code.

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 – Awards of bonus shares – Awards of stock subscription warrants

The rules governing the various stock purchase or subscription option plans introduced by the Company contain provisions enabling their beneficiaries to exercise their options prematurely during any public offer for the Company's shares and during a three month period following a change in control, and to tender in the offer, or to sell on the market outside the offer, the shares resulting from exercise of the options, even when the tax and Social Security lock-in period has not expired. Sale of the shares before expiration of the tax and Social Security lock-in period will result in reconsideration of the tax and Social Security advantages applicable to the profit from vesting. Consequently, the profit from vesting will incur income tax and Social Security charges for the beneficiary and payroll taxes for the Company.

The bonus share award plan introduced by the Company on April 19, 2006 includes provisions that reduce the vesting period to two years from the date of award in the event of a change in control.

The terms and conditions of the stock purchase or subscription option and bonus share plans will not be modified as a result of the change of control or the offer.

Beneficiaries may freely dispose of their shares at the end of the applicable tax and Social Security lock-in period.

3.3.3.1. Stock Option Plans

The Extraordinary Shareholders' Meeting of April 19, 2006 granted stock options to employees and Corporate Officers in a maximum number of 400,000 of the Company's shares.

Applying this authorization, the Board of Directors granted 95,500 stock purchase options to two Corporate Officers and 24 employees on April 19, 2006, 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 the maximum period of 10 years as from their award date, i.e. until April 19, 2016. However, if a beneficiary leaves the group, the options must be exercised in the six months following his/her departure.

At the date of this Registration Document:

- none of the stock purchase options has been exercised;
- only 14,100 options still remain to be exercised (the rest are void because their beneficiaries have left the Company); and refer to Section 3.3.3.3.1. "Stock purchase or subscription option plans" for the summary table relating to this option plan.

No other stock purchase or subscription plan is in force within the group.

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 award, on one or more occasions, new or existing bonus shares of the common stock of the Company to beneficiaries it will select among the salaried employees of the Company or its related companies or entities related to it within the meaning of Article L. 225-197-2 of the

French Commercial Code, and to Corporate Officers of the Company or of companies or entities related to it within the meaning of Article L. 225-197-1 of said Code, subject to the conditions defined below:

- the total number of bonus shares granted may not exceed 220,000;
- the shares will vest to their beneficiaries subject to a minimum vesting period of two years from the date of allocation by the Board of Directors;
- the minimum holding period for the shares is set at two years from the date of final allocation;
- if new shares are issued through a capitalization of reserves or premiums, solely to 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, subject to compliance with the law, to delegate said powers; to determine whether the bonus shares to be allotted will be new or existing shares; to select the beneficiaries; to carry out any and all filing and other formalities; to implement any adjustments required as a result of transactions, if any, on the Company's capital; to charge the capital increase(s) against reserves and/or additional paid-in capital; to amend the bylaws to reflect the new capital; and generally to do whatever is necessary.

In applying 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; 36,000 existing shares on February 17, 2011; and 20,000 shares on January 17, 2012 representing, respectively, 0.66%, 0.27%, 0.17% and 0.09% of the Company's capital.

Refer to Section 3.3.3.3.2. "Bonus Share Plan" for the summary tables related to 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 award, on one or more occasions, new or existing bonus shares of the common stock of the Company to the beneficiaries that it will select among the salaried employees of the Company or of companies or groups related to it within the meaning of Article L. 225-197-2 of the French Commercial Code, and to Corporate Officers of the Company or of companies or groups related to it and which meet the conditions referred to in Article L. 225-197-1 of said Code, on the conditions set forth below:

- the total number of bonus shares granted may not exceed 100,000;
- the shares will vest to their beneficiaries subject to a minimum vesting period of two years from the date of final allocation;
- the minimum holding period for the shares is set at two years from the date of vesting;

- if new shares are issued through a capitalization of reserves or premiums, solely to 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, subject to compliance with the law, to delegate said powers, to determine whether the bonus shares to be allotted will be new or existing shares, to select the beneficiaries, to carry out any and all filing and other formalities, to implement any adjustments required as a result of transactions, if any, on the Company's capital, to charge the capital increase(s) against reserves and/or additional paid-in capital, to amend the bylaws to reflect the new capital, and generally to 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. "Bonus Share Plan" for the summary tables related to these bonus share plans.

3.3.3.2.3. 2014 Bonus Share Plan

The Company's Shareholders' Meeting of April 11, 2014 authorized the Board of Directors to award 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, subject to the conditions set forth below:

- the total number of bonus shares granted may not exceed 200,000 shares, while the number of shares granted to executive Corporate Officers may not exceed 50,000 shares;
- the shares will vest to their beneficiaries 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. 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 may, in the second case, extend the vesting period and/or set a holding period;
- the shares will vest to the beneficiaries who are Corporate Officers contingent on meeting the performance conditions as defined by the Board of Directors;
- the shares will vest to the beneficiaries who are employees contingent on meeting the performance conditions as defined by the Board of Directors;
- if new shares are issued, 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 all powers to the Board of Directors, in compliance with the applicable laws and regulations and the provisions of the resolution of the Shareholders' Meeting, to award the bonus shares and, in particular:

- to set the performance conditions and, if applicable, the criteria for allotment of the bonus shares, to approve the list(s) of beneficiaries;
- to set, subject to the minimum periods indicated, the holding period for the shares, knowing that in respect of any shares that may be allotted to the Corporate Officers referred to in Article L. 225-197-1, II paragraph 4 of the French Commercial Code, it is up to the Board of Directors either 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 of office;
- if there are transactions on the share capital that may occur during the vesting period of the allotted shares: to decide

whether there are grounds for adjusting the number of shares allotted in order to preserve the rights of beneficiaries; and, in this scenario, to determine the terms for such adjustment;

- if the award relates to shares to be issued: to increase capital by capitalization of the Company's reserves or issue premiums as may be necessary to be carried out at the time of definitive allocation of the shares to their beneficiaries; to set the date for delivery of the new shares; and to amend the bylaws accordingly;
- carry out all formalities and, generally, to take all necessary and appropriate measures in connection therewith.

In application of this authority, the Company's Board of Directors granted to the Corporate Officer and to the employees of the group who are not Corporate Officers 70,200 existing shares on April 11, 2014 representing 0.33% of the Company's share capital.

Refer to Section 3.3.3.3.2. "Bonus Share Plan" for the summary tables related to these bonus share plans.

3.3.3.3. Summary Tables

3.3.3.3.1. Stock purchase or subscription option plans

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
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	81,400
Number of options at the fiscal year-end ^(a)	14,100

(a) 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 8, 2009
Number of beneficiaries	16
Number of bonus shares allotted on July 8, 2009	143,515
End of vesting period/Share transfer date	July 9, 2011
Lock-in period	2 years
End of lock-in period	July 9, 2013
<i>number of shares awarded to Corporate Officers at July 8, 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^(a)</i>	1,000

(a) 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 23, 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 allotted to Corporate Officers</i>	-
<i>o/w number of shares vested</i>	30,100
<i>o/w number of shares void^(a)</i>	5,700

(a) At the date of this document, there were 5,700 shares as of December 31, 2014.

2014 Bonus Share Plan

Plan 2014

Date of the Extraordinary Shareholders' Meeting authorizing the allotment plan	April 11, 2014
Number of shares available for allotment	200,000
Tranche 1 – Date of the Board of Directors' meeting granting shares	April 11, 2014
Number of beneficiaries	741
Number of bonus shares allotted on 11. April 2014	70,200
End of vesting period/Share transfer date	April 11, 2016
Lock-in period	2 years
End of lock-in period	April 11, 2018
<i>number of shares allotted to Corporate Officers</i>	<i>12,000</i>
<i>o/w number of shares vested</i>	<i>-</i>
<i>o/w number of shares void ^(a)</i>	<i>2,900</i>

(a) At the date of this document, there were 2,900 shares as of December 31, 2014.

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 and one Corporate Officer.

The SSWs that were held by the employees and the Corporate Officer who have left the group (i.e. a total of 599,212 SSWs at the date of this Registration Document) were bought by Financière Daunou 10, which decided not to exercise said SSWs, which therefore are now void.

Accordingly, at the date of this Registration Document, only 121,874 SSWs may still be exercised.

The exercise of these 121,874 SSWs could result in a capital increase in a maximum nominal amount of €31,687.76, plus, if applicable, 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 may only be exercised in the event of a "Change in control", as defined in the terms of conditions of the SSWs, occurring prior to December 3, 2017.

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4 Assets, Financial Position and Results at November 30, 2014

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4.1. Consolidated Financial Statements at November 30, 2014

Statement of consolidated comprehensive income

Consolidated income statement

(in € thousands)

	Note	November 30, 2014	November 30, 2013 restated ^(a)
Revenues	(4)	1,083,342	1,025,954
Cost of sales		(889,070)	(829,185)
Gross margin		194,272	196,769
Selling expenses	(5B)	(29,243)	(30,619)
Administrative expenses	(6)	(53,770)	(54,936)
Technical and customer service expenses	(7)	(18,375)	(19,258)
Development and program expenses	(8)	(18,437)	(15,926)
Other expenses	(8b)	-	-
Other income	(8b)	-	-
Current operating income		74,446	76,030
Other non-recurring income	(9)	144	5
Other non-recurring expenses	(9)	(817)	(6)
Operating income		73,773	76,029
Financial expenses		(968)	(3,551)
Financial income		718	744
Cost of net financial debt	(11)	(250)	(2,807)
Pre-tax income of consolidated companies		73,524	73,222
Income tax	(12)	(25,295)	(21,961)
Net Income of consolidated companies		48,229	51,261
Share of income (loss) of equity affiliates and joint-ventures		2,586	642
Income (loss) attributable to shareholders		50,815	51,903
Minority interest income (loss)	(21.2)	12,373	11,055
Attributable net income		38,442	40,848
Average number of shares	(13)	20,781,182	20,915,865
Earnings per share	(13)	€1.85	€1.95
Diluted earnings per share	(13)	€1.85	€1.95

(a) The 2013 operating expenses breakdown has been revised in accordance with the methods indicated in Note 5.

Consolidated net comprehensive income

(in € thousands)	November 30, 2014	November 30, 2013
Income (loss) attributable to shareholders	50,815	51,903
Change in the gross value of derivative instruments	(1,197)	91
Tax impact on derivative instruments	412	(31)
Gains and losses recognized directly in equity that may be reclassified subsequently to profit and loss	(785)	60
Change in actuarial gains and losses	(811)	(972)
Tax effect on actuarial gains and losses	279	335
Total gains and losses recognized directly through equity that will not be reclassified subsequently to profit and loss	(532)	(637)
Consolidated net comprehensive income	49,498	51,326
Attributable	37,125	40,271
Minority interests	12,373	11,055

Statement of consolidated financial position

Assets

(in € thousands)	Note	November 30, 2014	November 30, 2013
Goodwill	(14)	68,511	68,511
Intangible Assets	(15.1)	85,075	85,376
Property, plant and equipment	(15.2)	4,323	4,713
Equity affiliates and joint-ventures	(16)	11,314	8,181
Other non-current financial assets	(16)	1,843	20,139
Non-current assets		171,065	186,920
Inventories	(17)	323,119	324,963
Accounts receivable	(18)	336,561	291,778
Other receivables	(18)	176,016	136,793
Current tax	(19)	589	16,611
Cash and cash equivalents	(20)	149,993	188,258
Prepaid expenses	(18)	1,437	867
Current assets		987,715	959,270
Total assets		1,158,780	1,146,190

Equity and liabilities

(in € thousands)	Note	November 30, 2014	November 30, 2013
Capital stock	(21)	5,612	5,612
Reserves related to capital		979	979
Attributable reserves		193,813	153,154
Other reserves		(14,134)	(13,002)
Treasury shares	(21.1)	(15,997)	(10,199)
Attributable net income		38,442	40,847
Attributable shareholders' equity		208,715	177,391
Minority interests	(21.2)	8,748	10,811
Shareholders' equity		217,463	188,202
Non-current provisions	(23)	21,485	33,422
Borrowings and other non-current financial liabilities	(24)	135,815	218,959
Deferred taxes	(19)	43,227	40,365
Non-current liabilities		200,527	292,746
Current provisions	(23)	2,168	1,724
Other current financial liabilities	(24.1)	12,101	19,340
Accounts payable	(25)	617,953	550,233
Other payables	(25)	95,482	82,035
Current tax		11,376	10,694
Deferred income	(25)	1,709	1,217
Current liabilities		740,790	665,242
Total equity and liabilities		1,158,780	1,146,190

Statement of cash flows

(in € thousands)	Note	November 30, 2014	November 30, 2013
Consolidated net income		50,815	51,903
Share of income (loss) of equity affiliates and joint-ventures		(2,586)	(642)
Estimated income and expenses		10,826	12,865
Cash flow after cost of financial debt and tax		59,055	64,126
Cost of net financial debt		250	2,807
Other interest expenses (income)		-	-
Tax liability (income)		25,295	21,961
Cash flow before cost of financial debt and tax		84,600	88,894
Tax (paid)/received		(13,434)	131
Change in Operating Working Capital Requirements	(26)	(2,027)	(11,507)
Cash flow from operating activities (A)		69,139	77,518
Investing activities			
Acquisition of tangible and intangible assets (net of disposals)		(3,410)	(1,908)
(Acquisition) Repayment of financial assets		18,252	(16,387)
Cash flow with equity affiliates and joint-ventures		(518)	(3,145)
Change in the scope of consolidation		105	(11)
Cash flow from investing activities (B)	(26)	14,429	(21,451)
Free cash flow		83,568	56,067
Financing activities			
Distributions to minority interests		(16,591)	(9,468)
Buyback of minority interests		260	(2,058)
Buyback of treasury shares, net of re-sales		(6,074)	(1,228)
Loan repayments		(92,248)	(45)
Distributions to shareholders		-	-
Net financial interest paid		(7,179)	(8,773)
Other net financial income received		-	-
Cash flow from financing activities (C)	(26)	(121,833)	(21,572)
Increase (decrease) in cash (A + B + C)		(38,265)	34,495
Cash at beginning of the period		188,258	153,763
Cash at end of the period		149,993	188,258
Increase (decrease) in cash		(38,265)	34,495
Cash and cash equivalents		149,993	188,258
Credit facilities		(585)	(512)
Interest accrued on cash and cash equivalents		585	512
Cash at end of the period		149,993	188,258

Statement of change in consolidated shareholders' equity

(in € thousands)

	Number of shares	Capital stock	Reserves related to capital	Attribu- table reserves	Other reserves	Treasury shares	Interim dividends	Attribu- table net income	Attribu- table share- holders' equity	Minority interests	Total share- holders' equity
December 1, 2012, published	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
Allocation of profit or loss	-	-	-	40,847	-	-	-	(40,847)	-	-	-
Actuarial gains (losses)	-	-	-	-	(532)	-	-	-	(532)	-	(532)
Change in hedging reserves	-	-	-	-	(785)	-	-	-	(785)	-	(785)
Gains and losses recognized directly in shareholders' equity	-	-	-	-	(1,317)	-	-	-	(1,317)	-	(1,317)
Net income at November 30, 2014	-	-	-	-	-	-	-	38,442	38,442	12,373	50,815
Consolidated net comprehensive income	-	-	-	-	(1,317)	-	-	38,442	37,125	12,373	49,498
Distributions	-	-	-	-	-	-	-	-	-	(14,436)	(14,436)
Treasury share transactions	-	-	-	-	(373)	(5,798)	-	-	(6,171)	-	(6,171)
Share-based payments	-	-	-	-	558	-	-	-	558	-	558
Other transactions	-	-	-	(448)	-	-	-	-	(448)	-	(448)
Buyback of minority interests	-	-	-	260	-	-	-	-	260	-	260
Total transactions with shareholders	-	-	-	(188)	185	(5,798)	-	-	(5,801)	-	(5,801)
November 30, 2014	21,584,658	5,612	979	193,814	(14,135)	(15,997)	-	38,442	208,715	8,748	217,462

4.1.1. Significant events of the period

Debt refinancing

On March 19, 2014, Kaufman & Broad SA a signed a new Senior Facilities Agreement for a total amount of €200 million to replace the existing Senior Facilities Agreement.

Kaufman & Broad SA's new Senior Facilities Agreement, which has a five-year maturity, includes a new Revolving Credit Facility for up to €50 million in principal and new Senior Facilities

including a tranche A in an amount of €50 million and a tranche B in an amount of €100 million (see Note 24). The Company has allocated the amounts available under the A and B tranches, as well as its available cash, to repayment in full of the existing debt under its Senior Facilities Agreement of July 9, 2007, totaling €219 million at March 31, 2014. As at November 30, 2014, the Company had not made any drawdown on its new revolving credit line.

4.1.2. General information

Note 1. Accounting Methods and Main Valuation Assumptions

Note 1.1. Information concerning the Company

The Consolidated Financial Statements at November 30, 2014 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 in Neuilly-sur-Seine (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.

On February 19, 2015, the Board of Directors approved the annual Consolidated Financial Statements at November 30, 2014 and the related notes.

Note 1.2. Basis for the preparation of the financial statements

Pursuant to Regulation (EC) No. 1606/2002 of July 19, 2002, the Kaufman & Broad group prepared its 2014 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 the 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 that must be applied to fiscal years beginning on December 1, 2013

No new standard or interpretation whose application is mandatory for fiscal years beginning on December 1, 2013 had any material 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
IFRS 13 – Fair Value Measurement	January 1, 2013
IAS 12 Income Taxes	January 1, 2013
IAS 19 revised – Employee Benefits	January 1, 2013
Amendment to IFRS 7 – Financial Instruments – Disclosures: offsetting financial assets and financial liabilities	January 1, 2013
Amendments to IFRS 1: Government grants	January 1, 2013
2012 improvements to IFRS: Annual improvements to various standards (published by the IASB on May 17, 2012)	January 1, 2013

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, 2014:

Standards	Date of application to periods beginning on or after
IFRS 10 – Consolidated Financial Statements and amendments ^(a)	January 1, 2014
IFRS 11 – Joint Arrangements and amendments ^(a)	January 1, 2014
IFRS 12 – Disclosure of Interests in Other Entities and amendments ^(a)	January 1, 2014
IAS 28 revised – Investments in Associates and Joint-Ventures ^(a)	January 1, 2014
Amendments to IFRS 10, IFRS 11 and IFRS 12: Transitional arrangements ^(a)	January 1, 2014
IFRS 9 – Financial Instruments: Classification and measurement and amendments ^(b)	January 1, 2018
Amendment to IAS 32 – Offsetting Financial Assets and Financial Liabilities ^(a)	January 1, 2014
Amendments to IAS 36 – Disclosure of the recoverable value of assets ^(a)	January 1, 2014
Amendments IAS 39 – <i>Financial Instruments: Recognition and Measurement</i> ^(a)	January 1, 2014
Amendments to IFRS 10, IFRS 12 and IAS 27 – Investment entities ^(a)	January 1, 2014
Annual improvements (2010-2012 cycle) ^(c)	July 1, 2014
Annual improvements (2011-2013 cycle) ^(c)	July 1, 2014
Amendment to IAS 19 – Employee Benefits ^(c)	July 1, 2014
Amendment to IFRS 9 and IFRS 7 – Obligatory date and improvement of disclosures ^(c)	January 1, 2015
Annual improvements (2012-2014 cycle) ^(c)	January 1, 2016
Amendments to IAS 16 and IAS 38 – Methods of depreciation and amortization ^(c)	January 1, 2016
Amendments to IFRS 10 and IAS 28 – Sales or contributions of assets between an investor and its associate or joint-venture ^(c)	January 1, 2016
Amendments to IFRS 11 – Acquisition of an interest in a joint operation ^(c)	January 1, 2016
Amendments to IAS 27 – Equity method in separate financial statements ^(c)	January 1, 2016
IFRS 14 – Regulatory Deferral Accounts ^(c)	January 1, 2016
IFRIC 15 – Agreements for the Construction of Real Estate – Revenue recognition ^(c)	January 1, 2017
IFRIC 21 – Levies	January 1, 2014

(a) The date of application planned by the European Union is January 1, 2014, with the possibility of early application at January 1, 2013.

(b) The adoption process for this standard published by the IASB has been suspended by the European Union.

(c) This standard issued by the IASB has not yet been adopted by the European Union.

The Kaufman & Broad group has not adopted any of these new standards or interpretations prematurely and does not anticipate any significant impact on its financial statements when they are applied because the proportional method of consolidation has no longer been applied since 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 that cannot be given a precise value.

These estimates and assumptions are 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 income and expenses and on the book value of assets and liabilities.

The estimates and assumptions primarily concern:

- earnings forecasts for the real-estate programs used to recognize percentage-of-completion transactions (Note 1.11. "Trade and other receivables" and Note 4 "Revenues and gross margin");
- business plans used to perform impairment tests on goodwill and other intangible assets (Note 14 "Goodwill" and Note 15.1. "Net intangible assets");

- the recoverability of tax assets (Note 19 "Current and deferred taxes").

Selling price and take-up rate assumptions based on the earnings forecast for real estate developments, and the 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 Available under the Accounting Standards and used by Kaufman & Broad

Certain IASB standards provide for options with regard to the valuation and recognition of assets and liabilities. Accordingly, the group has opted:

- for the valuation method based on the amortized historic cost of property, plant and equipment and intangible fixed assets at each period-end date and decided not to revalue its property, plant and equipment and intangible assets at each period-end date (IAS 16 "Property, Plant and Equipment" and IAS 38 "Intangible Assets");
- 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 the Company's businesses. Some 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

In the event of a takeover, 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 choice is made on a transaction-by-transaction basis.

In accordance with the standard's provisions, the costs associated with business combinations are recognized as expenses for the period in which they were incurred.

Goodwill is measured once, on the takeover date (one-time goodwill). Purchase-price allocation is finalized during the valuation period, i.e., twelve months from the takeover date. The impact of subsequent percentage changes not affecting control is recognized in the shareholders' 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 the net income.

Note 1.6. Intangible Assets

Intangible assets include primarily the valuation of the Kaufman & Broad brands and logos. The life of these assets is indefinite and is therefore not amortized, but is subject to impairment testing annually or as soon as there is indication of impairment.

Other intangible assets consist of design costs and software, which are recognized at the acquisition or production costs, and are amortized using the straight line method over the useful life, which generally does not exceed five years.

Research and Development Expenses

For the Kaufman & Broad group, development expenses comprise the costs 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 financial lease agreement, which are primarily 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 non-current 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 (property, plant and equipment and intangible) are subject to impairment when, because of events or circumstances during the relevant period (obsolescence, physical deterioration, significant changes in the method 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.

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 available market information, 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 book value of equity affiliates and joint-ventures corresponds to the share of net equity held. For development operations, this item includes, 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 reservation indemnities for the acquisition of land, design fees, land development costs and all the other costs incurred in connection with the projects.

On each accounting period-end date, the part of these costs incurred in respect of projects for which contracts for purchase of land have not been signed and which are unlikely to be developed in the near future, is expensed.

Inventories of programs under development are valued at cost. This cost includes the land acquisition price and related fees, taxes, the cost of roads and mains connections, the 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, excluding the expenses related to sales offices, model areas, long-term contract scale models and billboards, including those directly attributable to real estate programs are recognized as expenses for the period.

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 with similar characteristics.

Indirect fixed expenses (salaries, payroll expenses and other expenses), for the portion directly allocable to real estate programs and incurred after a contract 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 to identify and measure these costs in accordance with the IFRS criteria, they are expensed as indirect fixed costs.

Provisions are set up to cover foreseeable losses, which are valued on the basis of an analysis of the economic data and financial forecasts specific to each project.

Note 1.11. Trade and other receivables

Accounts receivable are receivables arising from the recognition of revenues in accordance with the completion of the programs. Accounts receivable include the following:

- calls for funds, made to customers at various stages of the work, in accordance with regulations in force, that are still unpaid;
- the time lag that may exist between the calls for funds and actual progress in completion found at the fiscal year-end.

This time 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 book value.

Note 1.12. Cash and cash equivalents

Cash and cash equivalents comprise 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 mutual funds 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. Prepayments

Prepayments are primarily related to rent and other maintenance expenses.

Note 1.14. Treasury shares

Purchases of the Company's shares are applied against shareholders' equity on the basis of their acquisition cost. The amounts of gains and losses on the sale of treasury shares, net of tax, are posted to consolidated retained earnings.

Note 1.15. Share-Based Payments

Under IFRS 2 "Share-based Payment", stock purchase and subscription options, offers reserved for employees and bonus share allotments of Kaufman & Broad shares awarded to group employees and Corporate Officers 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 stock purchase and subscription 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 expected volatility in the share price, the dividends anticipated on the shares, the likelihood of exercise of the option and the risk-free rate of interest 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 regarding the assumption of certain liabilities 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 recognized. The liability is then contingent.

Contingent liabilities are potential obligations resulting from past events, the existence of which will be confirmed only by the occurrence of uncertain future events not under the Company's control, or from current obligations resulting from a past event, but which are not recognized either because it is unlikely that an outflow of resources representing economic benefits will be required to extinguish the obligation or because the amount of the obligation cannot be determined with sufficient reliability. These liabilities are disclosed in Note 27.3. "Contingent Assets and Liabilities".

Non-current provisions primarily include the following:

- provisions for risks with respect to certain equity affiliates;
- provisions for commercial and legal risks;
- provisions 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, which consists in evaluating, for each employee, the amount of benefit corresponding to the projected final salary and to the rights applied to the seniority acquired at the valuation date. The amount of benefit thus valued is discounted and tested for probability using the mortality table and the employee turnover table.

Actuarial differences are fully and directly recognized in shareholders' 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 are directly attributable to the acquisition or the 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 expected future outflow of cash either until maturity or until the date closest to the next date for re-basing the interest rate to 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 as current liabilities.

Trade payables and other liabilities

Because of their short-term nature, the book values stated in the Consolidated Financial Statements are reasonable estimates of their market value.

Derivative financial instruments

The Kaufman & Broad group is exposed to market risk, particularly interest rate risk. To manage this risk, the group uses a number of derivative financial instruments.

Derivatives are marked to market. Changes in the fair value of derivatives are recognized as a contra in the income statement, except in cases of hedging as indicated below.

Cash flow hedging instruments

The group only uses 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 floating-rate debt) where such risk would affect the reported net income;
- the effective part of the change in fair value of the hedging instruments is booked directly through shareholders' equity. The change in the value of the ineffective part of the hedging instrument is recognized in financial income. The amounts recorded as shareholders' equity are shown in income, in the same way that 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 traded on an active market (level 1);
- the evaluation uses valuation measurement techniques based on directly (price) or indirectly (price derivatives) observable data (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 the price on the closing date of the financial statements. A market is considered to be active if prices are readily and regularly available from an exchange, traders, brokers, an appraiser or a regulatory agency and these prices are based on normal 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 valuation techniques. These different methods make maximum use of observable market data, if available, and have little basis in the group's own estimates. If all the factors required for the fair value calculation are observable, this instrument is classified as Level 2.

If one or more of the main constituents 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 does not currently recognize any tax expense regarding that portion of income attributed to holders of minority interests in transparent companies, given their tax status.

The main impacts on deferred tax are as follows:

- the application of the percentage of completion method for the determination of the margin on operations;
- elimination of internal services;
- the deductibility of certain items of goodwill for tax purposes;
- the timing differences relating to provisions for risks and contingencies;
- the Company recognizes its tax assets when they are recoverable, because of either tax policies or income projections.

Note 1.20. Statement of consolidated comprehensive income

As permitted 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, Section 83.

Operating income corresponds to net income before:

- financial income;
- financial expenses;
- current and deferred taxes;
- the share of income (loss) of equity affiliates;
- income or loss from operations discontinued or held for sale.

Revenue recognition

The group markets all its development projects under the sale before completion (VEFA) scheme.

With the sale-before-completion contract, the French authorities have granted real estate developers the ability to call for clients' funds according to the percentage of completions 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 title to the land and building to the buyer as the building is completed.

Revenues are recognized in accordance with the terms of IAS 18 "Revenue" and in accordance with the terms of with 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 completely re-examined every quarter and, to the best of general management's knowledge, they take account of expected changes in sales prices and in the cost of marketing and construction.

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 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 dilutive 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 dilutive 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 if there has been a capital increase made at a price lower than the market price.

The 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 26.

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, impairment losses, 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 calculated 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 calculated expenses.

Note 1.24.4. Financial debt

See Note 24 "Borrowings and other financial liabilities".

Note 2. Scope of Consolidation

The Consolidated Financial Statements of the Kaufman & Broad group at November 30, 2014 include the financial statements of 298 companies, 250 of which are fully consolidated companies and 48 are equity affiliates.

The principal companies 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 Développement	SAS	152,449	100.00%	FC
Kaufman & Broad Europe	SAS	221,440,548	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 Gironde	SARL	100,000	100.00%	FC
Kaufman & Broad Flandres	SARL	7,700	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
Saint Exupéry Montaudran	SAS	37,000	50.00%	EM
Coté Bassin	EURL	37,000	100.00%	FC
SM2I	SARL	1,000,000	100.00%	FC

(a) FC = Full Consolidation, EM = Equity method.

Listed below are the main real estate partnerships (SCIs), construction/sale companies (SCCVs) or commercial partnerships (SNCs), which are special purpose vehicles each of which carries a real estate program with revenues, calculated on the basis of the percentage-of-completion method, that exceed €1 million in 2014.

Corporate Name	Legal structure	Capital	% controlled by the group	Consolidation method ^(a)
SCI Paris -31 avenue Mendes France	SCI	1,000	100.00%	FC
SNC Carros Lou Plan	SNC	50,000	100.00%	FC
SCI Palaiseau – Quartier	SCI	1,000	70.00%	FC
SCI Boussy Saint Antoine – Carré nature	SCI	1,000	70.00%	FC
SNC Residence le Cerdana	SNC	1,000	51.00%	FC
SCI Boulogne -8 rue de Meudon	SCI	1,000	100.00%	FC
SCI Paris -142 avenue Paul Va	SCI	1,000	100.00%	FC
SCCV Bagneux – Tertres	SCCV	1,000	51.00%	FC
SCI Epinay sur Seine – rue de Dunkerque	SCI	1,000	60.00%	FC
SCI Thorigny-sur-Marne – Raymond Poincare	SCI	1,000	85.00%	FC
SC Résidence les ailes d'Icare	SCI	1,000	51.00%	FC
SCCV Bagneux – Fontaine Gueffier	SCCV	1,000	51.00%	FC
SCI Saint-Raphaël – Allées Victoria	SCI	1,000	90.00%	FC
SCCV Le Metropolitain	SCCV	1,500	51.00%	FC
SCI Marseille 10 ^e -121 bd de Saint Loup	SCI	1,000	51.00%	FC
SCI Sainte-Maxime – l'Althea	SCI	10,000	51.00%	FC
SCI Romainville - 98/104 rue de la République	SCI	1,000	55.00%	FC
L'Hay Les Roses – Sentier des Jardins	SCI	1,000	51.00%	FC
Villepreux – rue de la Pépinière	SCCV	1,000	66.70%	FC
SCI Massy Le Hongre -3 grande rue	SCI	1,000	70.00%	FC
SCI Parc de Margot	SCI	1,000	100.00%	FC
SCI Domaine de la Pinède	SCI	1,000	100.00%	FC
SCCV Colombes Marine Lot D	SCCV	1,000	70.00%	FC
SCI La Baule - 2 allée des Cères	SCI	1,000	64.00%	FC
SCI Bel Canto	SCI	1,000	99.00%	FC
SCI Montpellier – rue Georges Bachelard	SCI	1,000	55.00%	FC
SCI Brie Comte Robert	SCI	1,000	100.00%	FC
SCI Rousset – La Charmeraie	SCI	1,000	51.00%	FC
SC Résidence le Carré des Pionniers	SCI	1,000	51.00%	FC
SCCV Villers Cotterets – avenue de Compiègne	SCCV	1,500	51.00%	FC
SCCV Croissy-sur-Seine -18 Hostachy	SCCV	1,000	51.00%	FC
SCCV Manosque – La Marquise	SCCV	1,500	51.00%	FC
SCI Templeuve – Grande Campagne	SCI	1,000	100.00%	FC
SCCV Pertuis – Les Festons	SCCV	1,500	51.00%	FC
SCCV Martigues Isabella	SCCV	1,500	51.00%	FC
SCI Clichy Paris 10	SCI	1,000	100.00%	FC
SCCV La Courneuve – Le Bellevue	SCCV	1,000	100.00%	FC
SCI Nantes - 104-108 bld Ernest Dalby	SCI	1,000	55.00%	FC
SCI Castanet Tolosan -104 avenue de Lauragais	SCI	1,000	51.00%	FC
SCI Bordeaux -62 Rue Lucien Faure	SCI	1,000	50.10%	FC
SCCV Bagneux – Paul Eluard	SCCV	1,000	49.00%	EM
SCCV Colombes Marine – Lot H	SCCV	1,000	10.00%	EM
SCCV Colombes Marine – Lot B	SCCV	1,000	10.00%	EM
SCCV Bagneux – Fontaine Gueffier II	SCCV	1,000	10.00%	EM
SCCV Colombes Marine – Lot A	SCCV	1,000	10.00%	EM
St Raphael – Horizon 360	SCCV	1,000	90.00%	FC
SCI Résidence Croix du Sud	SCI	1,000	51.00%	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, 2014 (in € thousands)	Île-de-France	West	Southwest	Southeast
Revenues	415,989	70,102	212,129	178,305
Gross margin	84,607	12,942	36,556	29,120
Selling expenses	(11,175)	(1,476)	(5,495)	(5,048)
Administrative expenses	(7,789)	(2,011)	(6,873)	(6,127)
Technical and customer service expenses	(8,250)	(957)	(4,020)	(3,282)
Development and program expenses	(5,804)	(1,064)	(5,442)	(2,107)
Reallocation of portion of Corporate re-invoicing	(10,656)	(2,355)	(7,366)	(5,313)
Current operating income	40,933	5,079	7,360	7,243
Other non-recurring income and expenses	-	-	(800)	(11)
Operating income	40,933	5,079	6,560	7,232
Cost of net financial debt and other financial income/expenses	4,342	(3)	(607)	(930)
Reallocation of cost of net financial debt	(1,041)	(230)	(719)	(519)
Pre-tax profit (loss) of consolidated companies	44,234	4,846	5,234	5,783
Income tax	(13,896)	(1,767)	(2,802)	(1,995)
Share of income (loss) of equity affiliates and joint-ventures	1,287	(142)	1,426	33
Income (loss) attributable to shareholders	31,625	2,937	3,858	3,821
<i>Attributable</i>	<i>23,000</i>	<i>2,599</i>	<i>2,942</i>	<i>2,072</i>
<i>Minority interests</i>	<i>8,625</i>	<i>338</i>	<i>917</i>	<i>1,749</i>

Fiscal year ended November 30, 2014 (in € thousands)	Rhône-Alpes	Commercial Property	Other Regions	Head office	Total
Revenues	52,512	145,041	9,262	-	1,083,342
Gross margin	13,601	16,108	1,338	-	194,272
Selling expenses	(1,776)	(215)	(295)	(3,763)	(29,243)
Administrative expenses	(2,628)	(1,369)	(736)	(26,236)	(53,769)
Technical and customer service expenses	(1,241)	(198)	(262)	(166)	(18,376)
Development and program expenses	(2,066)	(1,692)	(239)	(23)	(18,437)
Reallocation of portion of Corporate re-invoicing	(2,083)	(2,053)	(362)	30,188	-
Current operating income	3,807	10,581	(556)	-	74,447
Other non-recurring income and expenses	(82)	-	137	83	(673)
Operating income	3,725	10,581	(418)	83	73,774
Cost of net financial debt and other financial income/expenses	626	(649)	(81)	(2,948)	(250)
Reallocation of cost of net financial debt	(203)	(200)	(35)	2,948	-
Pre-tax profit (loss) of consolidated companies	4,148	9,732	(535)	83	73,524
Income tax	(1,486)	(3,543)	193	-	(25,295)
Share of income (loss) of equity affiliates and joint-ventures	(17)	(1)	(1)	-	2,586
Income (loss) attributable to shareholders	2,645	6,188	(342)	83	50,815
<i>Attributable</i>	<i>2,153</i>	<i>6,080</i>	<i>(485)</i>	<i>83</i>	<i>38,443</i>
<i>Minority interests</i>	<i>492</i>	<i>109</i>	<i>143</i>	<i>-</i>	<i>12,372</i>

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, income tax is calculated on the basis of a theoretical tax for each of the segments based on their net income before taxes. The impact relating to the permanent differences included in the calculation of income tax are reallocated using the key described above.

Fiscal year ended November 30, 2013 restated (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)	(6,062)	(5,363)
Administrative expenses	(10,054)	(2,305)	(8,040)	(5,280)
Technical and customer service expenses	(8,119)	(1,012)	(4,030)	(3,536)
Development and program expenses	(5,178)	(1,567)	(3,743)	(3,159)
Reallocation of portion of Corporate re-invoicing	(11,206)	(2,247)	(6,256)	(7,106)
Current operating income	46,110	1,792	2,161	19,064
Other non-recurring income and expenses	10	-	-	(7)
Operating income	46,120	1,792	2,161	19,057
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	48,119	1,521	120	17,392
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	33,562	1,171	(1,195)	14,094
<i>Attributable</i>	28,272	532	(2,507)	10,763
<i>Minority interests</i>	5,290	639	1,312	3,331

Fiscal year ended November 30, 2013 restated (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	-	196,769
Selling expenses	(1,834)	(54)	(86)	(3,315)	(30,619)
Administrative expenses	(1,871)	(720)	(542)	(26,122)	(54,936)
Technical and customer service expenses	(1,232)	(207)	(186)	(932)	(19,258)
Development and program expenses	(1,643)	(612)	(22)	-	(15,926)
Reallocation of portion of Corporate re-invoicing	(2,338)	(911)	(304)	30,368	-
Current operating income	4,903	1,423	585	(1)	76,030
Other non-recurring income and expenses	(3)	-	(1)	-	(1)
Operating income	4,900	1,423	584	(1)	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	5,455	582	41	(1)	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	3,881	371	25	(1)	51,903
<i>Attributable</i>	3,402	371	21	(1)	40,858
<i>Minority interests</i>	479	-	4	-	11,055

Fiscal year ended November 30, 2013 published (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	46,104	1,788	6,986	14,235
Other non-recurring income and expenses	10	-	-	(7)
Operating income	46,114	1,788	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	48,113	1,517	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	33,556	1,167	3,630	9,265
<i>Attributable</i>	<i>28,266</i>	<i>528</i>	<i>2,318</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 published (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	-	196,769
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	4,903	1,423	584	-	76,030
Other non-recurring income and expenses	(3)	-	(1)	-	(1)
Operating income	4,900	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	5,455	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	3,881	371	24	-	51,903
<i>Attributable</i>	<i>3,402</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>

Note 3.2. Breakdown of inventory, debt and working capital requirement by operating segment

Fiscal year ended November 30, 2014 (in € thousands)	Île-de-France	West	Southwest	Southeast
Inventories	82,498	19,531	122,216	77,031
Accounts receivable	80,512	19,904	65,183	59,097
Other	(163,542)	(31,631)	(123,774)	(62,214)
Working Capital Requirements	(533)	7,804	63,625	73,914

Fiscal year ended November 30, 2014 (in € thousands)	Rhône-Alpes	Commercial Property	Other Regions	Head office	Total
Inventories	16,136	4,034	1,677	(3)	323,119
Accounts receivable	9,738	99,795	1,440	891	336,561
Other	(27,513)	(117,682)	(6,350)	(15,772)	(548,478)
Working Capital Requirements	(1,639)	(13,852)	(3,233)	(14,884)	111,202

Fiscal year ended November 30, 2013 (in € thousands)	Île-de-France	West	Southwest	Southeast
Inventories	93,850	20,392	120,424	74,677
Accounts receivable	96,011	18,597	85,010	40,317
Other	(206,336)	(26,259)	(138,210)	(70,275)
Working Capital Requirements	(16,475)	12,730	67,224	44,719

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

4.1.3. Statement of comprehensive income

Note 4. Revenues and gross margin

(in € thousands)	November 30, 2014		November 30, 2013	
	Revenues	Gross margin	Revenues	Gross margin
Total Apartments	844,315	158,435	919,297	178,121
Total Single-family homes in communities	81,519	16,935	48,221	10,646
Total Housing Units	925,834	175,370	967,518	188,767
Commercial Property ^(a)	150,350	17,252	51,223	5,981
Land & fees	1,146	355	698	162
Showroom	6,012	1,295	6,515	1,859
Total revenues and gross margin	1,083,342	194,272	1,025,954	196,769

(a) The increase in revenues and gross margin was due primarily to the signature of the 23,000 sq.m sale before completion in the Paris Rive Gauche Mixed Development Zone (ZAC).

Note 5. Operating expenses

To better reflect the business activities of the group's departments, we have changed the operating expenses breakdown by departments for 2014. The 2013 operating expenses presentation has been revised to take into account this new breakdown.

(in € thousands)	November 30, 2014	November 30, 2013 restated	November 30, 2013 published
Selling expenses	29,243	30,619	30,619
Administrative expenses	53,770	54,936	65,058
Technical and customer service expenses	18,375	19,258	18,052
Development and program expenses	18,437	15,926	-
Other expenses	-	-	10,180
Other income	-	-	(3,170)
Total operating expenses	119,825	120,739	120,739

Note 5B. Selling expenses

(in € thousands)	November 30, 2014	November 30, 2013 restated	November 30, 2013 published
Salaries and payroll taxes	8,785	8,167	8,167
Advertising expenses and cost of the model areas	16,759	19,894	19,894
Rents and rental expenses	478	403	403
Fees	279	17	17
Temporary employees	538	764	764
Recruitment costs	31	27	27
Vehicle expenses – Travel	805	673	673
Telephone – electricity (EDF) – minor maintenance	61	40	40
Taxes	610	594	594
Other expenses	897	40	40
Total selling expenses	29,243	30,619	30,619

Selling expenses amounted to €29.2 million in 2014 versus €30.6 million in 2013. This 4.5% decrease was mainly due to advertising expenses.

Note 6. Administrative expenses

(in € thousands)	November 30, 2014	November 30, 2013 restated	November 30, 2013 published
Salaries and payroll taxes	22,449	24,851	38,603
Rents and rental expenses	5,096	5,325	5,325
Fees	3,876	4,119	4,120
Financial reporting costs	291	311	311
Taxes	5,493	7,337	7,591
Recruitment costs	178	277	447
Temporary employees	328	441	513
Insurance	187	71	71
Internet	5	564	564
Telephone – electricity (EDF) – maintenance costs	2,230	2,219	2,250
Vehicle expenses – Travel	1,147	1,563	2,145
Information Systems	1,337	1,464	1,464
Bank fees	1,393	1,496	-
Amortization, depreciation and provision expenses (net of reversals)	9,760	3,206	-
Other expenses	-	1,692	1,654
Total general and administrative expenses	53,770	54,936	65,058

General and administrative expenses totaled €53.8 million in 2014 versus €54.9 million in 2013, i.e., a 2.1% decrease, which can be attributed for the most part to the €2.4 million decrease

in the “Salaries and payroll taxes” item related to the decreased workforce.

Note 7. Technical and customer service expenses

(in € thousands)	November 30, 2014	November 30, 2013 restated	November 30, 2013 published
Salaries and payroll taxes	17,043	17,903	16,356
Fees	41	29	35
Recruitment costs	69	21	21
Temporary employees	171	152	152
Vehicle expenses – Travel	1,106	1,085	1,085
Telephone – electricity (EDF) – minor maintenance	72	76	76
Taxes	297	318	293
Amortization, depreciation and provision expenses (net of reversals)	30	-	-
Other expenses	(454)	(326)	34
Total technical expenses and customer service	18,375	19,258	18,052

Technical expenses and customer service amounted to €18.4 million in 2014 versus €19.2 million in 2013, a 4.6%

decrease. This was primarily due to the decrease in the “Salaries and payroll taxes” item related to the decreased workforce.

Note 8. Development and program expenses

(in € thousands)	November 30, 2014	November 30, 2013 restated	November 30, 2013 published
Salaries and payroll taxes	12,212	11,790	-
Fees	166	6	-
Taxes	290	228	-
Recruitment costs	127	171	-
Temporary employees	74	72	-
Vehicle expenses – Travel	1,284	582	-
Telephone – electricity (EDF) – minor maintenance	63	31	-
Expenses on discontinued projects	4,222	2,594	-
Amortization, depreciation and provision expenses (net of reversals)	(83)	445	-
Other expenses	82	7	-
Total development and program expenses	18,437	15,926	-

Development and program expenses totaled €18.4 million in 2014 versus €15.9 million in 2013, i.e., a 15.8% increase,

primarily due to the increase in the “Expenses on discontinued programs” item.

Note 8B. Other income and expenses

(in € thousands)	November 30, 2014	November 30, 2013 restated	November 30, 2013 published
Bank fees	-	-	1,496
Expenses on discontinued projects	-	-	2,594
Amortization, depreciation and provision expenses (net of reversals)	-	-	4,071
Net book value of fixed assets sold	-	-	449
Other expenses	-	-	1,570
Total other expenses	-	-	10,180
Sale of services	-	-	(1,886)
Expenses on discontinued projects	-	-	(1,284)
Total other income	-	-	(3,170)

The 2013 breakdown of operating expenses by department included the “Other expenses and other income” caption.

The caption was removed from the 2014 breakdown and the corresponding charges are now broken down into the four departments above.

Note 9. Other non-recurring income and expenses

(in € thousands)	November 30, 2014	November 30, 2013
Reversal of provisions for impairment of land ^(a)	-	-
Reversal of provision and expense related to the Employment Preservation Plan ^(b)	7	-
Reversal of compensation risk provision	137	-
Risk on associated litigation	-	5
Total other non-current expenses	144	5
NAV of sold assets	-	6
Azur Loan provision	11	-
Increase in provisions for impairment of land ^(a)	800	-
Legal fees	6	-
Total other non-current expenses	817	6

(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 2014, an additional provision was recorded for the last piece of land to be sold based on its discounted market value.

(b) Include €67 thousand in provision reversals and €60 thousand in salaries and payroll charges.

Note 10. Payroll expenses

Payroll expenses incurred for group employees break down as follows:

(in € thousands)	November 30, 2014	November 30, 2013
Average number of employees (full-time equivalent)	724	725
Salaries and payroll taxes	60,550	62,711
Including salary ^(a)	40,999	42,915
o/w: employer contribution	1,019	828
Bonus shares ^(b)	559	430
Payroll taxes ^(c)	21,557	21,654
Total payroll expenses	62,556	64,569

(a) Detailed information relative to the group's commitments for retirement benefits is provided in Note 23.2.

(b) Detailed information relative to share-based payments is provided in Note 22.

(c) The amount of the expenses recognized for pension plans was €7.0 million in fiscal year 2014 compared to €6.9 million in 2013.

Note 11. Cost of net financial debt

Cost of net financial debt

(in € thousands)	November 30, 2014	November 30, 2013
Financial expenses	968	3,551
Financial income	(718)	(744)
Cost of net financial debt	250	2,807

The cost of net financial debt totaled €0.2 million, a reduction of €2.6 million compared to 2013.

Financial expenses can be analyzed as follows:

(in € thousands)	November 30, 2014	November 30, 2013
Interest expenses on syndicated loans	6,062	7,510
Interest expense on swaps	176	151
Expenses for deferral of the origination fees for syndicated lines	595	3,344
Capitalization of financial expenses	(7,740)	(9,444)
Expenses on dedicated transactions	883	1,199
Other	991	791
Financial expenses	968	3,551

Interest expenses on syndicated credit lines are due to the €175.9 million utilization of the syndicated credit lines on average in 2014 versus €237.7 million in 2013.

Interest expenses on syndicated credit lines decreased in 2014 compared to 2013 in terms of outstandings following the new financing set up in 2014.

Through the application of the total effective interest rate, financial expenses include amortization of the €0.6 million

arrangement costs for the new syndicated loan. At November 30, 2013, Kaufman & Broad had paid up to €3.3 million of the balance of the arrangement costs relating to the syndicated credit line opened in 2007 and repaid in full at end-March 2014.

The total effective rate of the debt, taking into account the total amortization of the arrangement costs incurred and the hedges was 4.07% versus 4.25% in 2013; the difference is attributable primarily to the arrangement costs.

Cash income can be analyzed as follows:

(in € thousands)	November 30, 2014	November 30, 2013
Capital gain on sale of money-market SICAVs and certificates of deposit	(648)	(652)
Other income from cash and cash equivalents	(70)	(92)
Financial income	(718)	(744)

Note 12. Income tax

Note 12.1. Breakdown of tax liability

At November 30, 2014, the group's detailed tax liability was as follows:

(in € thousands)	November 30, 2014	November 30, 2013
Current tax expense/(income)	31,028	28,570
Provision for tax risk ^(a)	(10,870)	8,300
Deferred tax ^(b)	5,137	(14,909)
Total tax on net earnings – expense/(income)	25,295	21,961

(a) See Note 23.4.

(b) See Note 19.

The corresponding tax liabilities are included in the group's tax liability.

Tax is calculated on the group share of net earnings.

The current tax liability at November 30, 2014 includes a tax charge related to the 2014 tax consolidation of €18.3 million.

Note 12.2. Tax Reconciliation

Deferred taxes are calculated on the basis of the tax rates, i.e., 34.43% for 2014 and the following years.

The reconciliation between the theoretical tax expense and the actual tax liability is as follows:

(in € thousands)	November 30, 2014	November 30, 2013
Pre-tax income of consolidated companies	73,524	73,222
Applicable tax rate	34.43%	34.43%
Theoretical tax – expense/(income)	25,289	25,184
Tax on share of profit (loss) of equity affiliates	890	221
Tax reversals on minority interests	(4,260)	(3,806)
Tax risk ^(a)	3,207	8,300
Impact of permanent differences	169	(7,938)
Group tax liability/(income)	25,295	21,961

(a) See Note 23.4.

At November 30, 2013, permanent differences were primarily related: to tax savings realized by the group in respect of its Belgian subsidiary, before the transfer of its registered office to France, of -€8.2 million; to interest expenses for under-capitalization of subsidiaries of -€1.0 million; and to 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 19.

Note 12.3. Breakdown of the tax applied directly against shareholders' equity

(in € thousands)	November 30, 2014	November 30, 2013
Actuarial gains or losses on deferred income taxes	279	335
Hedging instruments (deferred tax)	412	(31)
Tax recognized directly in equity	691	304

Note 13. Net income and diluted earnings per share

(in € thousands)	November 30, 2014	November 30, 2013
Attributable net income	38,442	40,848
Average number of shares outstanding	20,781,182	20,915,865
Adjustment for dilutive effect of share awards	-	-
Earnings per share	€1.85	€1.95
Diluted earnings per share	€1.85	€1.95

The instruments issued by the group that could have a dilutive 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 (14,100 options, net of void options) set up in fiscal year 2006.

Given their exercise price, these instruments have no impact on the calculation of diluted earnings per share at November 30, 2014.

4.1.4. Statement of financial position – Assets

Note 14. Goodwill

The main goodwill items of the consolidated companies by Cash Generating Unit (CGU) can be analyzed as follows:

(net amount in € thousands)	November 30, 2014	November 30, 2013
Île-de-France	8,346	8,346
Kaufman & Broad Southwest	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, 2014	November 30, 2013
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 tests in accordance with the principles described in Note 1.8. The tests showed that there was no impairment at November 30, 2014. The recoverable amount used was based on the value in use.

The discount rate used to determine the value in use at November 30, 2014 amounted to 7% (unchanged compared to November 30, 2013). 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 fiscal year-end for the 2015-2019 period; these projections include growth assumptions that differ from one another depending on geographic area, and take into account current market conditions and their expected trends, considering the current situation and the uncertainties regarding future forecasts. 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, 2013). 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 requirement). The Kaufman & Broad brand, the balance sheet net value of which is €80.4 million (see Note 15.1), is not allocated to the CGUs of the group and its impairment testing is carried out at 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 15. Property, plant and equipment and intangible fixed assets

Note 15.1. Net intangible assets

(in € thousands)	November 30, 2014		November 30, 2013	
	Gross amount	Aggregated amortization	Net amount	Net amount
Kaufman & Broad brand	80,422	-	80,422	80,422
Other intangible assets	14,727	(10,074)	4,653	4,954
Total intangible assets	95,149	(10,074)	85,075	85,376

The brand is tested for impairment of overall value with goodwill (see Note 14 "Goodwill").

The change in the net amount of intangible assets can be analyzed as follows:

(in € thousands)	November 30, 2014	November 30, 2013
Balance at the beginning of the period	85,376	84,897
Acquisition of intangible assets	2,005	2,219
Sales and disposals and change in scope of consolidation	(68)	-
Amortization expense	(2,238)	(1,740)
Balance at the end of the period	85,075	85,376

The acquisition of intangible assets and amortization only concern software programs.

Note 15.2. Net property, plant and equipment

(in € thousands)	November 30, 2014		November 30, 2013	
	Gross amount	Aggregated amortization	Net amount	Net amount
Land	-	-	-	-
Buildings	-	-	-	-
Technical facilities	-	-	-	-
Other property, plant and equipment	13,329	(10,481)	2,848	3,753
Property, plant and equipment in progress	1,475	-	1,475	960
Total net property, plant and equipment	14,804	(10,481)	4,323	4,713

Other property, plant and equipment include the office fixtures and furnishings at the headquarters and various group agencies. Finance leases primarily cover IT equipment.

The change in the net amount of property, plant and equipment can be analyzed as follows:

(in € thousands)	November 30, 2014	November 30, 2013
Balance at the beginning of the period	4,713	5,604
Acquisitions of property, plant and equipment	1,487	848
Sales and disposals, and changes in scope of consolidation	(1,274)	(1,740)
Depreciation (net of reversals)	(603)	1
Balance at the end of the period	4,323	4,713

Note 16. Non-current financial assets

(in € thousands)	November 30, 2014	November 30, 2013
Equity affiliates and joint-ventures	11,314	8,181
Pledged SICAVs and other pledged amounts ^(a)	-	18,446
Security deposits and bonds	1,843	1,693
Non-current financial assets	13,157	28,320

(a) See Note 27.3.

Note 16.1. Equity affiliates and joint-ventures

Equity affiliates and joint-ventures at November 30, 2014 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%	(201)	170	(31)
SCI 87-91 av de la div Leclerc	50.00%	179	48	227
SCCV Colombes Marine Lot A	10.00%	57	612	669
SCCV Colombes Marine Lot B	10.00%	122	468	590
SCCV Colombes Marine Lot H	10.00%	399	320	719
SCI Gonesse – Fontaine St Nico	43.00%	(4)	594	590
La Lilatte	33.33%	(167)	487	320
Bucheres 3	60.00%	-	2,081	2,081
SARL Foncière JLG Aménageur	50.00%	(159)	382	223
SCI St Maur – Parking Îlot 1	50.00%	5	124	129
SCCV Bagneux – Paul Eluard	49.00%	723	3,069	3,792
SCCV Bagneux – Fontaine Gueffier II	49.00%	134	1,527	1,661
Other companies	-	(181)	525	344
Equity Affiliates and Joint-Ventures	-	907	10,407	11,314

The share of fiscal year 2014 net earnings represented by equity affiliates and joint-ventures coming within the scope of consolidation at November 30, 2014, representing €2.6 million, is included in shareholders' equity above.

The change in the value of the equity associates and joint-ventures can be analyzed as follows:

(in € thousands)	November 30, 2014	November 30, 2013
Balance at the beginning of the period	8,181	4,373
Change in current and other accounts	547	3,166
Attributable net income	2,586	642
Balance at the end of the period	11,314	8,181

Note 17. Inventories

(in € thousands)	November 30, 2014			November 30, 2013		
	Gross	Write-downs	Net	Gross	Write-downs	Net
New projects	27,874	(3,536)	24,338	27,126	(2,358)	24,768
Current programs	301,595	(2,814)	298,781	301,857	(1,662)	300,195
Total inventories	329,469	(6,350)	323,119	328,983	(4,020)	324,963

The change in impairment charges can be broken down as follows:

(in € thousands)	November 30, 2013	Expenses	Reversals	November 30, 2014
New projects	2,358	4,041	(2,863)	3,536
Current programs	1,662	1,984	(832)	2,814
Total inventories	4,020	6,025	(3,695)	6,350

Gross inventories for current programs remained unchanged in the year.

The increases in provisions for recognized impairment correspond for the most part to the provision for expenses on a residual tranche of an old program with a cancelled building permit.

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.

Inventories net of new program expenses were down €0.4 million.

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. Reversals of provisions for projects that were abandoned during the fiscal year.

Note 18. Trade and other receivables

(in € thousands)

		November 30, 2014			November 30, 2013		
	Note	Gross	Write-downs	Net	Gross	Write-downs	Net
Accounts receivable	(18.1)	337,030	(469)	336,561	292,668	(890)	291,778
Government – VAT	(18.2)	134,236	(980)	133,256	105,395	(992)	104,403
Government – Current tax	(19)	589	-	589	16,611	-	16,611
Advances and down payments		419	-	419	994	-	994
Current equity affiliates accounts	(18.3)	8,742	-	8,742	9,251	-	9,251
Other financial receivables		-	-	-	-	-	-
Receivables from notaries		23,783	-	23,783	11,203	-	11,203
Other	(18.4)	13,815	(3,998)	9,817	14,057	(3,115)	10,942
Prepaid expenses		1,437	-	1,437	867	-	867
Total		520,051	(5,447)	514,604	451,046	(4,997)	446,049

All “Trade receivables” and “Other receivables” mature in less than one year.

(in € thousands)

		Change in impairment		
		November 30, 2013	Expenses	November 30, 2014
Accounts receivable		890	38	(459)
Other receivables and VAT		4,107	1,715	(844)
Total		4,997	1,753	(1,303)

During the fiscal year, there were no significant allowances, or reversals of allowances, for trade and other receivables.

Note 18.1. Accounts receivable

The difference between net accounts receivable (€336.6 million) and the amount of calls for capital outstanding (€43.6 million) net of impairment, i.e. €293.0 million, corresponds to the time lag between the contractual calls for capital and the program percentage-of-completion revenues recognized. Receivables corresponding to that difference are posted exclusive of tax.

The notary drafting deeds of sale is generally required to ensure that the financing of the sale is closed at 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. A provision of €0.5 million is booked for the receivables in relation to which the group believes there is a risk of non-collection.

According to our standard terms of payment, calls for funds are payable immediately upon receipt. At November 30, 2014, the ageing of calls for funds was as follows:

between 0 and 30 days	€38.5 million
between 30 and 60 days	€0.7 million
between 60 and 90 days	€0.7 million
more than 90 days	€3.7 million
Total cash calls	€43.6 million

Note 18.2. Government – VAT

At November 30, 2014, the “VAT” item included: the VAT deductible on recorded supplier invoices, amounting to €57.3 million (€29.9 million in 2013); the VAT recognized on invoices not received, associated with the recognition of expenses on a program percentage-of-completion basis, amounting to €54.3 million (€59.9 million in 2013); and VAT credits amounting to €22.6 million (€15.6 million in 2013).

Note 18.3. Current equity affiliates accounts

This item reflects the portion of the loss allocated to minority equity affiliates and not settled at November 30, 2014 on fully consolidated operations. A provision for liabilities and charges was recorded in the amount of €8.2 million to cover the non-recoverability risk associated with current accounts of equity affiliates in default (see Note 23.3. "Provisions for associated risks").

Note 18.4. Other

The "Other" line 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 23.4. "Tax risk provisions" regarding the tax litigation).

Note 19. Current and deferred taxes

(in € thousands)

	November 30, 2014	November 30, 2013
Government – current tax (assets)	589	16,611
Government – current tax (liabilities)	(11,376)	(10,694)
Deferred tax liabilities	(43,227)	(40,365)
Balance at the end of the period	(54,014)	(34,448)

The result of the tax consolidation of the group for 2014 was a profit of €71.5 million. A portion of the balance of loss carryforwards was used in the fiscal year to settle the transaction (see Note 23.4.) and the remainder to charge it to tax under the 2014 tax consolidation. Current tax receivables at November 30, 2014 in the amount of €0.6 million correspond to

the 2014 advance payments tax credit (CICE). Current tax debt corresponds for the most part to the balance due under the 2014 tax consolidation for up to €7.1 million and to the tax due by a subsidiary not included in the tax consolidation in the amount of €4 million.

Source of deferred taxes by type

(in € thousands)

	Deferred tax base at November 30, 2014	Deferred tax at November 30, 2014
Differences in recognition of real estate programs	116,442	(40,091)
Provisions and expenses with deferred deductibility	(14,046)	4,836
Kaufman & Broad brand	-	-
Bond issuance expenses	3,986	(1,372)
Tax deductible beneficial ownership	24,301	(8,367)
Provisions for land	-	-
Hedging swaps	(1,316)	453
Tax loss carry forwards (excl. tax consolidation)	(5,004)	1,723
Other	1,188	(409)
Balance at the end of the period	125,551	(43,227)

Most of the deferred taxes originate in the differences in 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, 2014	November 30, 2013
Balance of deferred taxes at the beginning of the period – assets/(liabilities)	(40,365)	(55,586)
Recognized in profit or (loss)	(3,553)	14,917
Recognized in equity	691	304
Other changes	-	-
Balance of deferred taxes at the end of the period – assets/(liabilities)	(43,227)	(40,365)

Note 20. Cash and cash equivalents

The Kaufman & Broad group's cash and cash equivalents break down as follows:

(in € thousands)	November 30, 2014	November 30, 2013
Bank balances and cash on hand ^(c)	126,305	116,210
Short-term investments ^(a)	21,990	69,651
Order balances ^(b)	1,697	2,397
Cash and cash equivalents	149,992	188,258

(a) Short-term investments comprised SICAV money-market funds and term deposit.

(b) Order balances were €1.7 million as of November 30, 2014. 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 21. Shareholders' equity

At November 30, 2014, Kaufman & Broad's share capital amounted to €5,612,011.08, divided 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 20,781,182 shares excluding treasury shares, compared to 20,915,865 shares excluding treasury shares at November 30, 2013.

Note 21.1. Treasury shares

At November 30, 2014, the group held 924,538 treasury shares, including 6,250 shares under the liquidity agreement. At November 30, 2013, the group held 681,840 treasury shares, including 25 shares under the liquidity agreement.

Note 21.2. Minority interests

At November 30, 2014 minority interest on the balance sheet, amounting to €8.7 million, pertained to 120 companies, including receivables in the amount of €2.0 million.

At November 30, 2013, minority interest posted to the balance sheet in the amount of €10.8 million pertained to 109 companies. The total amount of minority interest amounted to €2.0 million.

In order to take into account the risk associated with the recovery of minority interests and of 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 18.4.), 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, 2014.

For fiscal year 2014, buybacks of shares of holders of minority interest securities of €0.3 million were recorded versus €2.2 million in 2013. The difference between the price paid and the corresponding reduction of any minority interests is offset in group share shareholders' equity.

Note 22. Shares-Based Payments

Note 22.1. Stock option plans

A group stock option plan set up in 2006 was still in progress at November 30, 2014. No new tranche was granted, nor was any new stock option plan set up in 2014.

Details concerning the main features of the group's plans in effect at November 30, 2014 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	17,000
Options outstanding at November 30, 2014	14,100
Options exercisable at November 30, 2014	14,100

Note 22.2. Bonus share plan

Under the bonus share plan of January 17, 2012, 19,000 bonus shares were definitively awarded on January 17, 2014 at the end of the vesting period and were delivered.

Under the authority of the Shareholders' Meeting of April 11, 2014, the Board of Directors, at its meeting of April 11, 2014, granted 70,200 additional bonus shares.

Details concerning the main features of the group's plans in effect at November 30, 2014 are set out in the table below.

Bonus share plan	January 22, 2013	April 11, 2014
Date of the Extraordinary Shareholders' Meeting authorizing the plan	April 19, 2012	April 11, 2014
Total number of bonus shares that may be awarded	100,000	200,000
Date of the Board of Directors' meeting granting the shares	January 22, 2013	April 11, 2014
Number of beneficiaries	40	741
Types of shares	Existing	Existing
Number of bonus shares awarded	35,800	70,200
Void shares	5,700	2,880
Shares outstanding at November 30, 2014	30,100	67,320
Exercise price	-	-
Price on the award date	€16.63	€22.80
Date of vesting	January 23, 2015	April 12, 2016
Date available	January 23, 2017	April 12, 2018
Initial fair value of the plan	€522,544	€1,171,678
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	€1.35 per share
- risk-free interest rate (market rate)	0.60%	0.50%
- stock lending/borrowing rate	-	-
- forward price discounting rate	Euribor +300 bps	Euribor +300 bps
- turnover rate	-	-

The bonus share plans generated an expense of €559,000 over the period, recognized through equity and detailed below:

(in € thousands)	Jan. 22, 2012 Plan	Jan. 22, 2013 Plan	April 11, 2014 Plan	Total
Initial valuation	270	523	1,172	1,965
Expense for the fiscal year	17	184	358	559

Note 23. Provisions

The provisions can be analyzed as follows:

(in € thousands)	Note	November 30, 2013	Expenses	Reversals used	Reversals unused	November 30, 2014
Provisions for retirement indemnities	(23.2)	4,494	1,125	-	-	5,619
Provisions for associated risks	(23.3)	9,084	322	(794)	(412)	8,200
Provision for tax risk	(23.4)	14,134	3,488	(15,028)	-	2,594
Provisions for restructuring		258	22	(67)	(159)	54
Provisions for liabilities		20	-	-	-	20
Provisions for industrial relations risks	(23.5)	2,340	1,458	(1,770)	(496)	1,532
Provisions for other risks	(23.6)	4,816	3,331	(1,023)	(1,489)	5,635
Provisions		35,146	9,746	(18,682)	(2,556)	23,654

Note 23.1. Schedule

(in € thousands)	November 30, 2014	Less than one year	More than one year
Provisions for retirement indemnities	5,619	-	5,619
Provisions for associated risks	8,200	-	8,200
Provision for tax risk	2,594	564	2,030
Provisions for restructuring	54	-	54
Provisions for liabilities	20	-	20
Provisions for industrial relations risks	1,532	-	1,532
Provisions for other risks	5,635	1,604	4,031
Provisions	23,654	2,168	21,486

Note 23.2. Provisions for retirement indemnities

The following assumptions were used in order to calculate retirement benefits:

- discount rate: 2.00% 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 4.5%, knowing that a differential

rate calculated on the average of the last four fiscal years was applied by age bracket.

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 assets to hedge retirement benefits plans.

This provision includes the payroll taxes that the Company would have to pay if it required employees to retire 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, 2014	November 30, 2013
Costs of services rendered during the fiscal year ^(a)	172	204
Financial cost ^(b)	142	93
Expense recognized In income	314	297

(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 changes to the provision are as follows:

(in € thousands)	November 30, 2014	November 30, 2013
Net liability at the beginning of the period	4,494	3,445
Cost for the fiscal year	405	297
Benefits paid	(92)	(220)
Effect of IAS 19 revised (recognized in retained earnings)	491	-
Actuarial gains or losses (recognized in equity)	320	972
Net liabilities at the end of the period	5,619	4,494

The total amount of actuarial gains (losses) at November 30, 2014 was €320 thousand (€972 thousand at November 30, 2013). The losses were due for the most part to the decline in the discount rate.

The €491 thousand increase from the application of IAS 19 revised was recognized in retained earnings.

As of November 30, 2014, the net liability would be €5,471 thousand with a discount rate of 2.25% and to €5,774 thousand at a discount rate of 1.75%.

The actuarial gains and losses generated can be presented on an historical basis as follows:

(in € thousands)	November 30, 2014	November 30, 2013	November 30, 2012	November 30, 2011
Commitment	5,619	4,494	3,445	2,088
Financial assets	-	-	-	-
Financial hedging	5,619	4,494	3,445	2,088
Actuarial losses and (gains) generated on the commitment	320	972	1,566	453

Note 23.3. Provisions for associated risks

This provision of €8.2 million covers the risk associated with defaulting affiliates, with €6.4 million representing the risk relating to a partner as the result of a dispute (see Note 21.2. "Minority interests").

Note 23.4. Provision for tax risk

On May 16, 2014 Kaufman & Broad SA signed a settlement agreement ending the litigation relating to its Belgian subsidiary.

To hedge the entire tax risk to which Kaufman & Broad SA was exposed in relation to its subsidiary Kaufman & Broad Europe, a company resident in Belgium until November 2013, the agreement covers not only the 2008 to 2012 period audited, but also years 2013 and 2014, not yet audited. Accordingly, the total amount of the adjustment to be paid by Kaufman & Broad SA for the entire 2008 -2014 period totals €16.6 million. Part of this amount was paid through a charge to prior losses (€6.4 million) and to the carry back receivable (€7.4 million).

On this basis, at November 30, 2014 Kaufman & Broad therefore reversed the €12.9 million provision recorded at November 30, 2013. The net tax expense related to the adjustment was therefore €3.7 million for fiscal year 2014.

Note 23.5. Provisions for industrial relations risks

The provision for disputes with former employees of the group was €0.3 million.

A provision in the amount of €1.2 million covers Urssaf adjustments, notice of which was given to GIE Kaufman & Broad. This adjustment, which is essentially for 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 enable the amount of the adjustment to be reduced.

Note 23.6. Provisions for other risks

The provision for commercial and legal risks essentially covers ongoing disputes with customers or suppliers of delivered projects, amounting to €5.6 million.

Note 24. Borrowings and other financial liabilities

Note 24.1. Gross financial debt by type

Gross financial debt represents:

- long-term and short-term financial liabilities;
- hedging instruments related to liabilities comprising the gross financial debt;
- interest accrued on balance sheet items that constitute gross financial debt.

(in € thousands)	November 30 2014,	November 30, 2013
Syndicated bank credit line	150,000	237,667
Other borrowings	-	-
Utilized credit facilities	585	512
Issuance expenses	(3,986)	-
Fair value of derivatives	1,317	120
Gross financial debt	147,916	238,298
- of which non-current	135,815	218,959
- of which current	12,101	19,340

At November 30, 2014, the group had utilized €150 million of the syndicated bank credit line versus €237.7 million at November 30, 2013.

1. On March 19, 2014, Kaufman & Broad SA a signed a new Senior Facilities Agreement for a total amount of €200 million to replace the existing Senior Facilities Agreement.

Kaufman & Broad SA's new Senior Facilities Agreement, which has a five-year maturity, includes:

- a new Revolving Credit Facility with bullet repayment for a maximum of €50 million (the interest rate for tranche A is 3% plus 0.25% if the net debt-to-EBITDA ratio > 0);

- a new Senior Facility including:

- a tranche A for an amount of €50 million repayable by semi-annual installments of €5.5 million starting in March 2015 (the interest rate of tranche A is 3% plus 0.25% if the net debt-to-EBITDA ratio is > 0),
- a tranche B with bullet repayment in the amount of €100 million (the interest rate of tranche B is 3.25% plus 0.25% if the net debt-to-EBITDA ratio is > 0).

The Company has allocated the amounts available under the A and B tranches as well as its available cash to the repayment in full of the existing debt under its Senior Facilities Agreement of July 9, 2007, totaling €219 million at March 31, 2014. As at November 30, 2014, the Company had not started drawing down its new revolving credit line.

2. Adjustment of financial ratios:

In the accounting quarters from August 2014 until the expiration of the agreement in 2019, the group is required to comply with 2 ratios, calculated on a consolidated basis, with levels defined as follows:

Ratios at each quarter-end	Threshold	Ratio at November 30, 2014
Leverage Ratio (non-risk weighted assets ratio) ⁽¹⁾	< 3	0.01
Debt Ratio ⁽²⁾	< 1	0.00

(1) i.e., Net Financial Debt divided by EBITDA (b) where:

a) Financial Debt means gross financial debt less cash and cash equivalents and excluding certain subordinated debts and certain off-balance sheet items;

b) EBITDA means net earnings of the consolidated group before tax on income, interest income (including net financial expenses, 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.

(2) i.e., Net Financial Debt (a) divided by adjusted shareholders' equity (c);

(c) Adjusted shareholders' equity = consolidated shareholders' equity at November 30, 2013 + cumulative income from December 1, 2013 to the end of the relevant quarter – dividends paid for the relevant period + cumulative impairment charge for the period from December 1, 2013 to the end of the relevant quarter.

3. The agreement provides for a cash sweep clause in certain conditions.

4. The sureties to guarantee the sums owed by the Company as a borrower are described in Note 27 to the Financial statements and are similar to those that were in place for the 2007 Senior Facilities Agreement for which total release was obtained under the refinancing.

Note 24.2. The group's main debt facilities

(in € thousands)	Debt capacity	November 30, 2014	Repayment	Rate ^(a)
			<i>repayable by semi-annual installments of €5.5 million from March 2015 to March 2019</i>	
Facility A	50,000	50,000		E +325 BPS
Facility B	100,000	100,000	<i>bullet maturity March 2019</i>	E +350 BPS
Total	150,000	150,000	-	-

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

Note 24.3. Maturity

(in € thousands)	November 30, 2014	Less than one year	Repayable in 1 to 5 years	More than 5 years
Syndicated line ^(a)	150,000	11,100	138,900	-
Credit facilities utilized	585	585	-	-
Other borrowings	-	-	-	-
Arrangement costs ^(b)	(3,986)	(901)	(3,084)	-
Fair value of derivatives	1,317	1,317	-	-
Gross financial debt	147,916	12,101	135,816	-

(a) The syndicated lines of credit opened in March 2014 are repayable as follows: tranche A (€50.0 million) is repayable by semi-annual installments of €5.5 million from March 2015; tranche B has a bullet repayment in March 2019.

(b) The costs relating to the arrangement of the new Senior Facilities Agreement were recorded in the balance sheet for the amount of €4.6 million and amortized for up to €0.6 million.

Note 24.4. Change in gross financial debt

Gross financial debt at November 30, 2013	238,298
Repayment of Senior B and C borrowings	(237,666)
Change in other borrowings	150,000
Change in the fair value of derivative instruments	1,197
Deferral of arrangement costs	(3,986)
Change in credit facilities	73
Gross financial debt at November 30, 2014	147,916

Note 24.5. Main net financial debt items

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, 2014	November 30, 2013
Gross financial debt	147,916	238,299
Cash and cash equivalents ^(a)	149,992	188,258
Net financial debt	(2,076)	50,041

(a) See Note 20.

Note 25. Current liabilities

(in € thousands)	November 30, 2014	November 30, 2013
Current provisions	2,168	1,724
Other current financial liabilities ^(a)	12,101	19,340
Accounts payable	617,954	550,233
Other payables	95,482	82,035
Current tax	11,376	10,694
Deferred income	1,709	1,217
Total current liabilities	740,790	665,243

(a) See Note 24.3.

The "Other liabilities" item corresponds primarily to tax and Social Security liabilities of €67.6 million, including €44.9 million

in VAT, €8.8 million in advances and down payments received, and €16.4 million in shareholders' current accounts.

4.1.6. Additional information

Note 26. Notes to the statement of cash flows

Cash flows from operating activities include €84.6 million in cash flow before the cost of the financial debt and before taxes, an amount of -€13.4 million net of taxes paid, and a €2.0 million increase in WCR.

Details of changes in operating Working Capital Requirement

(in € thousands)	November 30, 2013	Change in WCR	Change in the scope of consolidation	Other changes	November 30, 2014
Inventories	324,962	(1,751)	-	(92)	323,119
Accounts receivable	291,778	46,753	-	(1,970)	336,561
Accounts payable	(550,233)	(67,719)	-	(1)	(617,953)
Other operating assets and liabilities	54,410	24,745	-	1,108	80,263
Operating working capital requirement (Statement of cash flows)	120,917	2,028	-	(955)	121,990
Current taxes	5,917	(16,705)	-	-	(10,788)
Net working capital	126,834	(14,677)	-	(955)	111,202

The change in operating Working Capital Requirement (excluding current taxes) for fiscal year 2014 was €2.0 million from November 30, 2013.

Cash flows from investing activities amounted to €14.4 million, and included:

- the release of €18.4 million in segregated funds in 2013 relating to a real estate program launched in 2012 for which the concession agreement granted to Kaufman & Broad is being challenged (See Note 27.3.);
- outflows relating to acquisitions of property, plant and equipment and intangible assets (-€3.4 million);
- outflows of financial assets (loans) advanced as part of real estate projects (-€0.2 million);
- cash flow with companies consolidated using the Equity method, amounting to -€0.5 million.

The cash flows from financing activities came to -€121.8 million and consisted of:

- flows relating to borrowings in the amount of -€92.2 million, corresponding to the balance on March 31, 2014 after repayment of the Senior B and C lines in the amount of -€237.7 million and the arrangement of the new A and B syndicated line for €150 million; and to the arrangement costs for the new loan;
- financial interest paid, amounting to -€7.2 million;
- distributions to minority interests, amounting to -€16.6 million;
- buyback of treasury shares in the amount of -€6.1 million;

Note 27. Off-balance sheet commitments

At November 30, 2014, the general management believes, 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 24.1. "Gross financial debt by type".

Note 27.1. Commitments given

Guarantees and bonds issued

All the items detailed below are related to the normal course of our operations.

(in € thousands)	November 30, 2014	November 30, 2013
Performance bonds ^(a)	204,760	203,729
Hoguet Law guarantees ^(b)	220	220
Reservation indemnities ^(c)	4,626	14,363
Other guarantees issued ^(d)	166,432	89,073
Guarantees and bonds issued	376,038	307,385
Land non-use indemnities and works guarantees	8,763	5,313
Counter-guarantees issued ^(e)	43,832	52,473
Guarantees issued – Kaufman & Broad SA	52,595	57,786
Total Guarantees and bonds issued	428,633	365,171

(a) Performance bonds are issued to customers as part of sales-before-completion (VEFA sales) contracts. Kaufman & Broad asks a financial institution, mutual guarantee institution or insurance company to issue a Performance Bond in favor of Kaufman & Broad's customers. These bonds are issued on a transaction-by-transaction basis and have a term comparable to the term for completion of the program.

In consideration for these bonds, Kaufman & Broad typically gives the 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 based on its own reports to the Banque de France or to the Insurance Control Commission.

(b) Hoguet Law guarantees are required from companies intending to operate as a real estate agent. This purely occasional activity is not a part of the group's strategy.

(c) Reservation indemnities are bank guarantees given in lieu of security deposits in connection with land acquisition commitments.

(d) These other guarantees principally cover acquisitions of land and matters relating to roads and connections to mains services.

(e) 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

Liens were granted by Kaufman & Broad SA to guarantee its commitments in relation to the financing arranged in March 2014. These liens are similar to those that were in place for the previous financing, terminated in March 2014.

Type of pledge/lien	Final expiration date ^(a)	Amount of assets pledged ^(b)	Total balance sheet value	Total % of Kaufman & Broad SA balance sheet at Nov. 30, 2014
Pledge of financial instrument account -100% of Kaufman & Broad Homes SAS shares held by the Company		€10,450,195	€10,450,195	2%
Pledge of the credit balance in the Kaufman & Broad SA bank accounts		€35,505	€35,505	-
Framework agreement for the assignment of intra-group receivables from Kaufman & Broad SA's subsidiaries, in particular Kaufman & Broad Financement SNC		-	-	-
Pledge of 100% of the shares of Kaufman & Broad Europe SAS		€217,436,878	€217,436,878	48%
Total		€227,922,578	€227,922,578	50%

(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 accounts at November 30, 2014.

Commitments relating to capital expenditures, purchases and rentals

(in € thousands)

	Payments due by maturity				November 30, 2013
	November 30, 2014	Less than one year	1 to 5 years	More than 5 years	
Commitments for operating leases	16,794	5,747	8,670	2,377	49,015
Tangible and intangible investment commitments	-	-	-	-	-
Total	16,794	5,747	8,670	2,377	49,015

Commitments for operating leases

The table below shows, as of November 30, 2014, the minimum future rents on operating leases not subject to termination:

(in € thousands)

	November 30, 2014	November 30, 2013
2014	-	8,103
2015	5,747	8,730
2016	3,041	5,962
2017	1,570	4,649
2018	1,248	4,260
2019	2,811	4,096
2020 and beyond	2,377	13,215
Total minimum future rents	16,794	49,015

The rent expense recognized on the income statement at November 30, 2014 for operating leases amounted to €5.6 million (€5.7 million at November 30, 2013).

Note 27.2. Commitments received

Work guarantees

(in € thousands)

	November 30, 2014	November 30, 2013
Guarantees on contracts for works	110,514	105,540

Unutilized syndicated credit lines

(in € thousands)

	November 30, 2014	November 30, 2013
Unutilized RCF line ^(a)	50,000	52,900

(a) Under the debt refinancing of March 2014 (see Note 24), an RCF line in place at November 30, 2013 was closed. A new Revolving Credit Facility (RCF) line for a maximum amount of €50 million with bullet repayment in March 2019 was arranged in order to finance the group's general and working capital purposes. This line has not been utilized since it was arranged.

Pledges and liens

Under a memorandum of understanding (MoU), 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 said MoU. In exchange, this partner's main shareholder stood surety for the commitments of its subsidiary vis-à-vis joint-ventures for the same amount plus its own provision of a first-demand bank guarantee.

Note 27.3. Contingent Assets and Liabilities

In January 2013, judgment was rendered in the dispute that originated in 1996 concerning the Roissy Park development, in which a subsidiary of Kaufman & Broad SA had been implicated for faulty workmanship and various defects. The judgment, which was immediately appealed, ordered said subsidiary to pay €6.6 million plus various adjustments for inflation or interest, with a guarantee being granted for the most part by manufacturers and insurers. As things stand, this subsidiary is financially liable for €0.9 million, of which €0.3 million was provisioned at November 30, 2013. In execution of the judgment, this subsidiary also prefunded an amount of €2.0 million in respect of which, during the first half 2014, it obtained almost complete recovery from said guarantors. A provision for the unpaid balance of €0.3 million had been made as at November 30, 2014. The Kaufman & Broad group considers that the risk of a final judgment is low.

The agreement for a long-term lease granted to Kaufman & Broad for a real estate development launched by the

group in 2012 is being appealed. Proceedings relating to this appeal were in progress at the balance sheet date. The gross margin on the sales, relating to this transaction, that were concluded under a condition subsequent was recognized at November 30, 2014 in the amount of €3.8 million, of which €1.1 million for fiscal year 2014. The gross margin on the sales, relating to this transaction, made without conditions was recognized at November 30, 2014 in the amount of €5.5 million of which €4.5 million for fiscal year 2014. Since the risk of cancellation of the long-term lease contract is considered low, no provision has been recorded in the accounts. On May 31, 2014, the Kaufman & Broad group segregated the sum of €23.2 million, in the form of a pledged SICAV, corresponding to the funds paid in advance by purchasers who had signed deeds of sale subject to a condition subsequent, for the balance of the land price, which had been paid for in kind, and to the potential cost of cancelling these sales, part of which was recorded in non-current financial assets (€8.7 million), with the balance to be recovered within 3 months, considering the discussions in progress. As at November 30, 2014, all the segregated funds had been released.

Note 28. Exposure to Market Risks and Financial Instruments

Note 28.1. Interest-rate risk management

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 floating-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 new Senior Facilities Agreement, the group also undertook to keep hedged 50% of its borrowings.

Interest-rate hedges are created using instruments traded on organized or over-the-counter markets with top ranking counterparties.

The following table contains details of the portfolio of one-month Euribor lender/fixed-rate borrower swaps at November 30, 2014.

Type	Notional amount (in € millions)	Fixed rate	Expiration date		Type	Fair value as at Nov. 30, 2014 as a % of nominal
			Start date	End date		
EUR 1M fixed rate swap	20	0.466%	April 30, 2014	Nov. 30, 2017	Hedge	-1.37%
EUR 1M fixed rate swap	10	0.500%	Nov. 28, 2014	Nov. 30, 2017	Hedge	-1.44%
EUR 1M fixed rate swap	20	0.500%	Nov. 30, 2014	Nov. 30, 2017	Hedge	-1.43%
EUR 1M fixed rate swap	10	0.470%	Nov. 30, 2014	Nov. 30, 2017	Hedge	-1.34%
EUR 1M fixed rate swap	15	0.130%	Nov. 30, 2014	Nov. 30, 2018	Hedge	-0.26%
EUR 1M fixed rate swap	50	0.300%	Nov. 28, 2014	Nov. 30, 2018	Hedge	-0.88%

The following table contains details of the portfolio of one-month Euribor lender/fixed-rate borrower swaps at November 30, 2013.

Type	Notional amount (in € millions)	Fixed rate	Expiration date	Type	Fair value as of Nov. 30, 2013 as a % of nominal	Fair value as of Nov. 30, 2012 as a % of nominal
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%

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 deferred tax at November 30, 2014 was -€864 thousand.

The exposure of the group's net debt at November 30, 2014 was:

Type of instrument	Floating/Fixed	Less than one year	1 to 5 years	More than 5 years
Syndicated lines of credit	Floating	11,100	138,900	-
Credit facilities	Floating	585	-	-
Financial liabilities		11,685	138,900	-
Bank balances and cash in hand ^(a)	Floating	126,305	-	-
Short-term investments	Floating	21,990	-	-
Order balances	Floating	1,697	-	-
Financial assets		149,992	-	-
Net position before risk management		(138,307)	138,900	-
Swaps		-	(125,000)	-
Net position after risk management		(138,307)	13,900	-

(a) Banks, available cash and reserve balances.

Interest rate sensitivity of assets and liabilities

Assumptions: 1-month EURIBOR at 0.141%

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: – €750,000;
- fall: + €150,000.

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: – €128,000;
- fall: + €26,000.

The exposure of the group's net debt at November 30, 2013 was:

Type of instrument	Floating/Fixed	Less than one year	1 to 5 years	More than 5 years
Senior B and C	Floating	18,708	218,959	-
Credit facilities	Floating	512	-	-
Financial liabilities		19,220	218,959	-
Bank balances and cash on hand	Floating	116,210	-	-
Short-term investments	Floating	69,651	-	-
Order balances	Floating	2,397	-	-
Financial assets		188,258	-	-
Net position before risk management		(169,039)	218,959	-
Swaps		(150,000)	-	-
Off-Balance sheet items		(150,000)	-	-
Net position after risk management		(319,039)	218,959	-

Note 28.2. Foreign exchange risk management

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

Note 28.3. Equities risk management

The Company has only limited risk to equities risk because:

- the marketable securities held by Kaufman & Broad consist of the highest rated money-market mutual funds (SICAV) and certificates of deposit bought from recognized institutions;
- its treasury shares are held either to cover the objectives stated 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 20.

Note 28.4. Counterparty risk management

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

Because of the wide spread 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 has been obtained for the purchase of the property.

The customer-related credit risk is managed by each agency, supervised by Corporate headquarters. Due to the nature of its business, the group's exposure to customer default risks is low. The aging of customer receivables is reviewed monthly.

The Kaufman & Broad group places its cash, cash equivalents and investment securities with top rank financial institutions.

It enters into interest rate agreements with leading financial institutions.

For programs developed jointly with partners, the consequences of the measures taken in 2009, the impacts of which 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 21.2.).

Note 28.5. Liquidity risk management

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 floating rate interest payments were calculated on the basis of the latest interest rates known prior to November 30, 2014.

(in € thousands)	Book value at Nov. 30, 2014	Less than one year		1 to 5 years		More than 5 years	
		Interest	Repay- ments	Interest	Repay- ments	Interest	Repay- ments
Borrowings and financial liabilities							
Syndicated credit lines	150,000	5,930	11,100	16,289	138,900	-	-
Credit facilities and other borrowings	585	22	585	-	-	-	-

(in € thousands)	Book value at Nov. 30, 2013	Less than one year		1 to 5 years		More than 5 years	
		Interest	Repay- ments	Interest	Repay- ments	Interest	Repay- ments
Borrowings and financial liabilities							
Syndicated credit lines	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	-	-

The interest flows are paid monthly, take account of the swaps entered into in November 2014 classified as hedging instruments.

Details on the syndicated credit are provided in Note 24.

Note 28.6. Book value of financial instruments by IAS 39 categories and fair value

Loans and receivables, financial assets available-for-sale

The Kaufman & Broad group believes that the balance sheet value of cash, accounts receivable and accounts payable is the value most representative of their market value because of the high level of liquidity of these items.

Debt at amortized cost

The group believes that the fair value of non-current floating-rate financial liabilities was close to their book value.

November 30, 2014	Book value	Fair value through profit or loss	Fair value through equity	Assets available for sale	Loans and receivables	Debt at amortized cost
Financial assets						
Accounts receivable	336,561	-	-	-	336,561	-
Cash and cash equivalents	149,992	149,992	-	-	-	-
Current tax	589	-	-	-	589	-
Other current receivables	176,017	-	-	-	176,017	-
Other non-current financial assets	1,843	-	-	-	1,843	-
Total financial assets	665,002	149,992	-	-	515,010	-
Financial liabilities						
Borrowings and financial debts	147,916	-	1,317	-	-	146,599
Supplier payables	617,954	-	-	-	-	617,954
Current tax	11,376	-	-	-	-	11,376
Other current liabilities	97,191	-	-	-	-	97,191
Total financial liabilities	874,437	-	1,317	-	-	873,120
November 30, 2013	Book value	Fair value through profit or loss	Fair value through equity	Assets available for sale	Loans and receivables	Debt at amortized cost
Financial assets						
Accounts receivable	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
Current tax	10,694	-	-	-	-	10,694
Other current liabilities	83,252	-	-	-	-	83,252
Total financial liabilities	882,478	-	120	-	-	882,358

Note 29. Capital risk management

The objectives of the group in terms of management of capital are to maintain the ability of the group to continue trading 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, 2014 totaled -€2.1 million. Net financial debt relative to shareholders' equity was accordingly equal to -1% versus 26.6% at November 30, 2013.

Note 30. Related party transactions

Parent company and controlling entity

The Kaufman & Broad group is controlled by Financière Gaillon 8, which in turn is controlled primarily by Financière Daunou 10.

There have not been any transactions between the Kaufman & Broad group and Financière Daunou 10.

Transactions with Financière Gaillon were made at arms' length and do not have a significant impact for the group.

No other entity controls or exercises significant influence over the group.

2014 Facilities Agreement

On March 19, 2014, Kaufman & Broad SA became party to a Senior Facilities Agreement governed by French law, drafted in English and titled "Term and Revolving Facilities Agreement" (the '2014 Facilities Agreement') by and between Kaufman & Broad SA as Borrower, Kaufman & Broad Homes SAS and Kaufman & Broad Europe SAS as Guarantors, Crédit Agricole Corporate & Investment Bank, Natixis, BECM, Goldman Sachs International and Crédit Suisse International as Arrangers, Crédit Agricole Corporate & Investment Bank as Bookrunner, Global Coordinator, Agent and Security Agent and a syndicate of financial institutions listed under the terms of the Agreement and referred to as Original Lenders. Under the 2014 Facilities Agreement, the financial institutions named in said Agreement granted to Kaufman & Broad SA: (a) a term loan A for a maximum amount of €50 million; (b) a term loan B for a maximum amount of €100 million; where the A and B term loans must be used to refinance the Existing Senior Facilities Agreement; and (c) a new Revolving Facility for a maximum amount of €50 million to finance the general operating and working capital requirements of the Kaufman & Broad group. Under the 2014 Facilities Agreement, Kaufman & Broad SA granted a number of sureties in guarantee of the sums due by the Company as a borrower, including: (a) a pledge of its bank accounts; (b) a Daily assignment of trade receivables as guarantee for the trade and intragroup receivables of Kaufman & Broad SA; (c) pledges of the financial securities accounts of Kaufman & Broad Homes SAS and Kaufman & Broad Europe SAS. In addition, under the 2014 Senior Facilities Agreement, Kaufman & Broad Homes SAS and Kaufman & Broad Europe SAS are guarantors of Kaufman & Broad SA's commitments as Borrower and granted a pledge of their bank accounts and a pledge of their intragroup receivables in guarantee for the sums due as joint guarantors.

The signature of the 2014 Facilities Agreement, the Bank Account Pledge Agreement, the Trade Receivables Assignment Framework Agreement, and the Financial Securities Accounts Pledge Agreement were authorized by the Board of Directors at its meeting of March 10, 2014.

2007 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 initial borrower and initial guarantor, Calyon and Merrill Lynch International as the mandated arrangers, Calyon as agent and a syndicate 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 a maximum amount of €200 million; (b) a term credit facility C for a maximum amount of €202 million; (c) a Capex/Acquisition Facility for a maximum amount of €80 million, and (d) a Revolving Facility for a maximum amount of €200 million. The latter two facilities may also be utilized by certain of Kaufman & Broad SA's subsidiaries. Under the Senior Facilities Agreement, Kaufman & Broad SA granted a joint surety for all the commitments of the subsidiaries of Kaufman & Broad SA under the Capex Acquisition Facility and under the Revolving Facility, but the Company is not joint debtor with the secured debtors. Execution of the Senior Facilities Agreement and the joint surety were authorized by the Board of Directors at its meeting of July 10, 2007.

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, provides, in particular, for an adjustment to the financial ratios applicable to the group and the suspension of dividend payments for fiscal 2009, 2010 and 2011. The group may only start to distribute dividends for fiscal year 2012 if the Debt Ratio is less than or equal to 3.

The Board of Directors authorized the signing of this Supplemental Agreement to the Senior Facilities Agreement 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 changes and changes of form necessary to implement the adjustments agreed 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 the information it may need in order to meet its obligations under the financial documentation.

The Board of Directors authorized the signing of this Supplemental Agreement to the Senior Facilities Agreement on June 30, 2009.

Supplemental Agreement No. 4 to the January 23, 2009 agreement, signed on November 25, 2009, provides, in particular, for 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, on certain conditions, upon approval of the Consolidated Financial Statements for the period ended August 31, 2010, for a maximum total amount of €25 million.

The Board of Directors authorized the signing of this Supplemental Agreement to the Senior Facilities Agreement 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 provided for by the Senior Facilities Agreement in order to neutralize the effects of IAS 23 ("Borrowing Costs") on these ratios and to ensure the same protection for the financial parties as they received under the contract before the application of this standard. The Board of Directors authorized the signing of this Supplemental Agreement to the Senior Facilities Agreement on February 18, 2010.

Supplemental Agreement No. 6, signed on July 25, 2011, offered the Company the opportunity to repay a portion of its term debt under the Senior Facilities Agreement for amounts 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, offered the Company the opportunity to cancel all or part of the commitments of certain lenders under the revolving line of credit that wish to withdraw from said line before its final maturity, 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 the cancellations could be made on one or more occasions without limitation and must take place by February 29, 2012 at the latest.

The Board of Directors authorized the signing of Supplemental Agreements No. 6 and No. 7 to the Senior Facilities Agreement on July 20, 2011.

The principal amounts concerning related parties are detailed below; the other companies consolidated using the Equity method are not significant:

Affiliated companies (in € thousands)	Assets at November 30, 2014	Liabilities at November 30, 2014 ^(a)	Results at November 30, 2014
SCCV Colombes Marine Lot A	20,697	20,470	509
SCCV Colombes Marine Lot B	9,786	9,298	153
SCCV Colombes Marine Lot H	4,433	2,836	293
SCCV Bagneux – Paul Eluard	12,358	10,913	628
SCCV Bagneux – Fontaine Gueffier II	6,263	5,994	205
SCCV Athena	83	85	(278)
SAS St Exupéry	(2,519)	(2,117)	1,751

(a) Liabilities not including shareholders equity.

Group Corporate Officers

In 2013 and 2014, 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. No guarantees were given or received for amounts receivable from and payable to related parties. For fiscal years ended November 30, 2014 and November 30, 2013, the group did not book any provision for doubtful receivables in relation to

Supplemental Agreement No. 8 signed on October 17, 2012 offered the Company the opportunity to voluntarily prepay the term lines B and C in the amount of €40 million and to reduce by €50 million the right to drawdown the RCF line.

The Board of Directors authorized the signing of Supplemental Agreement No. 8 to the Senior Facilities Agreement on October 17, 2012.

On March 19, 2014 Kaufman & Broad signed a new Senior Facilities Agreement to replace the existing Senior Facilities Agreement and repaid the balance of the loan taken out in 2007 totaling €219 million in principal, thereby terminating this related-party agreement.

The various effects on the Consolidated Financial Statements are described in Note 24.

2007 Subordination 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 an Intercreditor Agreement to which are party all the parties to the financing agreements signed on July 10, 2007 by Financière Gaillon 8 SAS and Kaufman & Broad SA, and the purpose of which is, in particular, to govern the order and the terms for repayment of the sums due from Kaufman & Broad SA and its subsidiaries under the Senior Facilities Agreement and the intra-group loans.

On March 19, 2014 Kaufman & Broad signed a new Senior Facilities Agreement to replace the existing Senior Facilities Agreement and to release all existing Liens, thereby terminating that third-party agreement.

Equity affiliates and joint-ventures

Equity affiliates and joint-ventures are presented in detail in Note 2.

amounts due from related parties. This assessment is conducted annually by reviewing the financial position of the related parties and the markets on which they operate.

Compensation of members of the administrative 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 administrative and management bodies.

(in € thousands)

November 30, 2014

November 30, 2013

Short-term benefits other than employer contributions ^(a)	3,222	4,627
Short-term benefits: employer contributions	1,486	2,118
Post-employment benefits – balance sheet impact ^(b)	614	177
Other long-term benefits ^(c)	NA	NA
Retirement indemnities	-	613
Directors' fees ^(d)	215	191
Shares-based compensation	-	-
Stock option awards (number)	-	-
Bonus share awards (number)	27,000	7,000

(a) Includes gross salaries, compensation, bonuses, incentives, profit sharing and benefits in kind 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.

Defined contribution pensions

The members of the Management Committee, including the Corporate officer Nordine Hachemi, receive a supplemental defined contribution pension plan.

For fiscal year 2014, the amount recognized as expenses by our Company for this contract was €149,000 (€158,000 at November 30, 2013).

Note 31. Fees paid by the group to the Statutory Auditors and members of their networks

Years covered: 2013 and 2014 ^(a)

(in € thousands)

	Ernst & Young Audit				Deloitte & Associés			
	Amount (tax excl.)		%		Amount (tax excl.)		%	
	2014	2013	2014	2013	2014	2013	2014	2013
Audit								
Account audit and certification, review of the statutory and the Consolidated Financial Statements ^(b)								
Issuer: Kaufman & Broad SA	138	162	27%	28%	138	162	72%	81%
Fully consolidated subsidiaries	381	410	73%	72%	53	39	28%	19%
Other work and services directly relating to the task of the Statutory Auditor ^(c)								
Issuer: Kaufman & Broad SA	-	-	-	-	-	-	-	-
Fully consolidated subsidiaries	-	-	-	-	-	-	-	-
Subtotal	519	572	100%	100%	191	201	100%	100%
Other services rendered by the networks to the fully consolidated subsidiaries ^(d)								
Legal, tax, Corporate	-	-	-	-	-	-	-	-
Other (to be specified if >10% of Audit fees)	-	-	-	-	-	-	-	-
Subtotal	-	-	-	-	-	-	-	-
Total	519	572	100%	100%	191	201	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 Statutory Auditor's network used by the latter as part of the certification of 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) These are services rendered outside the scope of the Audit pursuant to the provisions of Article 24 of the Code of Ethics, by a member of the network, to the subsidiaries of the issuer the financial statements of which are being certified. This concerns the fees relating to an audit for an unsuccessful acquisition.

The fees of the other Statutory Auditors relating to the fully consolidated companies were €44,000 in 2014 and €43,000 in 2013.

Note 32. Events after the balance-sheet date

On December 19, 2014, Kaufman & Broad took control of Concerto Développement, acquiring one of France's leaders in logistics development from Affine, of which Concerto Développement was a subsidiary, for €4.4 million. Affine will remain a partner of Kaufman & Broad as a minority affiliate for projects developments until 2018.

4.2. Statutory financial statements at November 30, 2014

Annual financial statements at November 30, 2014

Income Statement

(in € thousands)	Section	November 30, 2014	November 30, 2013
Revenues	4.2.2.14	3,412	1,126
Other purchases and external expenses	4.2.2.15	(7,029)	(2,247)
Wages and salaries		-	(1,162)
Taxes		(133)	(539)
Amortization, depreciation and provisions	4.2.2.9	(2,517)	(9,018)
Reversal of provisions and expense transfer		14,634	3,512
Other operating charges and revenues		(259)	(278)
Operating income		8,108	(8,606)
Profits allocated and losses incurred	4.2.2.16	59,877	83,213
Net financial income (including dividends from subsidiaries)	4.2.2.17	(9,501)	21,458
Current operating income		58,484	96,064
Non-recurring income (loss)	4.2.2.18	(1,102)	(895)
Corporate income tax	4.2.3	(24,871)	(15,203)
Net income		32,511	79,967

Balance Sheet

Assets

(in € thousands)	Section	November 30, 2014	November 30, 2013
Intangible Assets	4.2.2.2	-	-
Property, plant and equipment	4.2.2.3	127	129
Financial assets	4.2.2.4	368,534	381,313
Non-current assets		368,661	381,441
Inventories		-	-
Receivables	4.2.2.5	65,830	121,004
Treasury shares	4.2.2.6	15,997	10,199
Cash and cash equivalents	4.2.2.7	36	5,007
(prepaid expenses)		15	15
Current assets		81,878	136,226
Total assets		450,539	517,668

Equity and liabilities

(in € thousands)	Section	November 30, 2014	November 30, 2013
Capital stock		5,612	5,612
Premiums and reserves		238,242	158,275
Net income		32,511	79,967
Shareholders' equity	4.2.2.8	276,365	243,854
Provisions for liabilities and charges	4.2.2.9	7,367	14,114
Financial debt	4.2.2.10	150,110	237,733
Trade payables and related accounts		781	609
Other payables	4.2.2.11	15,916	21,359
Total equity and liabilities		450,539	517,668

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 (General 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:

- software 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 in 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, which includes the share in the income from programs hosted by 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 general 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:

- the earnings forecasts for real estate developments;
- the business plans for future fiscal years.

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 relating 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 fiscal 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 allocation to group employees (under bonus share plans) are recognized in a Treasury Shares account, characterized by purpose in accordance with the decision to allocate the shares. Treasury shares held as part of the liquidity contract or not yet allocated are valued at the average market price for the last month of the fiscal year and a provision is booked in the event of a loss compared to 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 delivering the shares to employees is spread out on a straight-line basis across the vesting period. This cost is listed under personnel expenses.

4.2.1.4. Provisions for liabilities and charges

Every quarter the legal and accounting departments review the provisions for litigation posted as liabilities on the balance sheet. Provisions made previously are reviewed and reassessed on the basis of the status of current proceedings. If 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 whether or not judicial proceedings exist but depends on the nature of the risk.

4.2.1.5. Suspense accounts and financial instruments

Unrealized gains and losses on interest-rate instruments as part of 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 the revenues and the margin on real estate programs in their annual financial statements.

Recognition of revenues and margin is now done *pro rata* to technical completion, for which the starting point is the purchase of land and the progress of sales (signed deeds) of each program. This method applies whether the margin is expected to be profitable or loss making.

The 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 form of SCIs and SNCs, provide for the automatic transfer of profits to their partners, in the same fiscal year.

In accordance with the provisions of the French Construction and Housing Code, the payment to their partners of any sum owed 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 progress towards completion.

4.2.1.7. Tax consolidation

The tax consolidation agreement signed by the companies that are members of the consolidated group stipulates that tax liabilities will be incurred by the consolidated companies (parent and subsidiary), as they would in the absence of tax consolidation, after their previous losses have been allocated. In addition, tax savings from losses will be kept by Kaufman & Broad SA, as the parent company, and will be considered as 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 of consolidation provides that VAT payments and credits must be transferred to Kaufman & Broad SA which, as the parent company of the group, becomes the only company responsible for paying the VAT or receiving VAT refunds.

Nevertheless, monitoring will be conducted by each 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

Debt refinancing

On March 19, 2014, Kaufman & Broad SA signed a new Senior Facilities Agreement for a total amount of €200 million to replace the existing Senior Facilities Agreement.

Kaufman & Broad SA's new Senior Facilities Agreement, which has a five-year maturity, includes a new Revolving Credit Facility for a maximum amount of €50 million in principal and new Senior Facilities including a tranche A in the amount of €50 million and a tranche B in the amount of €100 million (see Note 4.2.2.10.). The Company has allocated the amounts available under the A and B tranches as well as its available cash to the repayment in full of the existing debt under its Senior Facilities Agreement of July 9, 2007, totaling €219 million at March 31, 2014. As at November 30, 2014, the Company had not drawn down on its new revolving credit line.

Change in accounting method for the subsidiaries

• Recognition of expenses relative to the Model Areas and Sales Offices as expenses for the period

In accordance with ANC Regulation 2012-05 amending Article 380-1 of the PCG, the expenses relative to the Model Areas and Sales Offices incurred by the group's subsidiaries are recognized as expenses for the period.

As from December 1, 2013, these expenses are excluded from program production costs and are recognized as expenses for the period.

The change in method applies to all ongoing and future programs. The impact of the change in accounting method was

calculated retrospectively based on the difference between year-to-date costs calculated with the percentage-of-completion method and year-to-date expenses incurred at the beginning of fiscal year 2014.

Since this involves a retrospective change of method, the new accounting method applies to events and transactions that took place previously and the effect of the change in accounting method to prior fiscal years was recognized in equity at the beginning of fiscal year 2014.

• Recognition of prescribers' fees attributable to lots in construction fixed assets in progress

In accordance with ANC Regulation 2012-05 amending Article 380-1 of the PCG, as from December 1, 2013, prescribers' fees incurred by group subsidiaries are recognized in construction fixed assets in progress.

The change in method applies to all ongoing and future programs. The impact of the change in accounting method was calculated retrospectively based on the difference between the actual year-to-date costs and year-to-date costs estimated based on the percentage-of-completion method.

Since this involves a retrospective change of method, the new accounting method applies to events and transactions that took place previously and the effect of the change in accounting method to prior fiscal years was recognized in equity at the beginning of fiscal year 2014.

As the companies affected are transparent companies, the impact of the change in method recorded at the beginning of the period, and their income for fiscal year 2014, were recognized by Kaufman & Broad SA in fiscal year 2014 income.

4.2.2.2. Intangible Assets

(in € thousands)	November 30, 2014	November 30, 2013
Software licenses	274	274
Depreciation and amortization	(274)	(274)
Net intangible assets	-	-

4.2.2.3. Property, plant and equipment

(in € thousands)	November 30, 2014	November 30, 2013
Facilities and fittings	184	184
Depreciation and amortization	(57)	(55)
Facilities and fittings	127	129
Office and IT equipment – furnishings	601	601
Depreciation and amortization	(601)	(601)
Office and IT equipment – furnishings	-	-
Net property, plant and equipment	127	129

4.2.2.4. Financial assets

(in € thousands)	November 30, 2014	November 30, 2013
Equity interests	324,458	324,619
Receivables related to equity interest and loans ^(a)	46,630	62,782
Other financial assets ^(b)	1,356	1,511
Impairment ^(c)	(3,910)	(7,599)
Net non-current financial assets	368,534	381,313

(a) Receivables related to equity interests correspond to current account advances to subsidiaries of Kaufman & Broad SA.

(b) Other investments and loans are largely composed of deposits and guarantees, including cash made available by the Rothschild bank as part of the share purchase agreement, in the amount of €1.4 million.

(c) At November 30, 2014, the provisions for the shares of subsidiaries, including those of Kaufman & Broad Financement and SMCI, were reversed. The provision for the stock of the SM2I subsidiary was reduced to €3.6 million.

(in € thousands)	November 30, 2013	Increase	Decrease	November 30, 2014
Equity interests ^(a)	324,619	-	161	324,458
Receivables related to the liquidity agreement	62,782	-	16,152	46,630
Other fixed assets	1,511	-	155	1,356
Impairment provision ^(b)	(7,599)	100	3,789	(3,910)
Financial assets	381,313	100	20,257	368,534

(a) At the time of purchase of SM2I in 2012, a portion of the price of the securities was placed in escrow with the notary. The sum in escrow of €0.1 million was returned to Kaufman & Broad SA in 2014. Furthermore, Kaufman & Broad Development, the stock value of which was €61,000, was put into liquidation in 2014.

(b) The reversal involves the provision for impairment of the securities of the subsidiaries Kaufman & Broad Financement (€2.6 million), SM2I (€0.9 million), and SMCI (€0.3 million).

4.2.2.5. Receivables

(in € thousands)	November 30, 2014	November 30, 2013
Value added tax	351	8,647
Corporate income tax ^(a)	-	16,629
Current accounts ^(b)	65,479	90,506
Other receivables ^(c)	-	5,223
Receivables	65,830	121,004

(a) At November 30, 2013, Corporate income tax receivable corresponding to the €16.6 million tax receivable related to the carry-back of the loss generated in 2009 and 2010. This receivable was discharged for fiscal year 2014 as part of a settlement signed with the tax authorities and of the Corporate income tax charge determined for fiscal year 2014.

(b) This sum includes €62.9 million, being the share of the subsidiaries up-streamed to the parent (versus €87.4 million at November 30, 2013), €1.1 million, being the current accounts from the tax consolidation with other group companies (see Note 4.2.2.15.), and €1.6 million, being the intra-group re-invoicing relating to the bonus share awards to employees of the Kaufman & Broad group.

(c) This amount corresponds to the €5.2 million payment made in the 2008 tax litigation (See Note 4.2.2.9.). This amount was expensed following the settlement signed with the tax authorities.

(in € thousands)	November 30, 2014	Up to 1 year	> 1 year
Value added tax	351	351	-
Corporate income tax	-	-	-
Current accounts	65,479	27,661	37,818
Other debtors	-	-	-
Receivables	65,830	28,012	37,818

4.2.2.6. Treasury shares

(in € thousands)	November 30, 2014	November 30, 2013
Treasury shares	15,997	10,199
Provisions for impairment of treasury shares	-	-
Treasury shares (value net of impairment)	15,997	10,199

At November 30, 2014, there were 924,538 treasury shares including:

- the 106,000 shares allocated to bonus share plans in the amount of €1,445,000;
- shares held for which no allocation decision has yet been made totaling 812,288 shares for an amount of €14,394,000;
- 6,250 shares held as part of the liquidity contract for the amount of €158,000.

At November 30, 2013, the group held 681,840 treasury shares, including 55,800 shares allocated to bonus share plans and 626,015 shares for which no allocation decision had been made and 25 shares held as part of the liquidity agreement.

At its meeting of April 11, 2014, the Board of Directors allocated 70,200 treasury shares to a new bonus share plan. In addition 19,000 bonus shares were delivered to their beneficiaries in January 2014 (the plan of January 17, 2012).

4.2.2.7. Cash and cash equivalents

(in € thousands)	November 30, 2014	November 30, 2013
Cash and cash equivalents	36	5,007
Cash and cash equivalents	36	5,007

4.2.2.8. Shareholders' equity

The change in shareholders' equity is broken down analyzed as follows:

(in € thousands)	Capital stock	Statutory reserve	Stock warrants	Share premium	Other reserves	Retained earnings	Interim dividend	Net income	Shareholders' equity
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)	-
Interim dividend	-	-	-	-	-	-	-	-	-
Net income for fiscal year	-	-	-	-	-	-	-	79,967	79,967
November 30, 2013	5,612	979	781	975	30,656	124,884	-	79,967	243,854
Approp. of 2013 earnings	-	-	-	-	-	79,967	-	(79,967)	-
Interim dividend	-	-	-	-	-	-	-	-	-
Net income for fiscal year	-	-	-	-	-	-	-	32,511	32,511
November 30, 2014	5,612	979	781	975	30,656	204,851	-	32,511	276,365

In addition to the legal reserve, the Company has reserves for an amount at least equal to the value of the shares it owns.

Change in capital

(in €)	November 30, 2013	Increase	Decrease	November 30, 2014
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 and at November 30, 2014, Kaufman & Broad's capital stock amounted to €5,612,011.08, divided 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 as of November 30, 2014. No new tranche was granted, nor was any new stock option plan set up in 2014.

Details concerning the main features of the group's plans in effect at November 30, 2014 are set forth in the table below.

Stock options	Plan 3
Date of the Extraordinary Shareholders' Meeting authorizing the plan	April 19, 2006
Date of the Board of Directors' meeting granting the options/shares	April 19, 2006
Number of awarded options	95,500
Number of beneficiaries	26
Start of option exercise period	April 19, 2008
Expiration date	April 19, 2016
Expiration of holding period	April 19, 2010
Exercise price	€44.23
Options outstanding at beginning of the fiscal year	31,100
Options granted during the fiscal year	-
Options forfeited during the fiscal year	-
Options exercised during the fiscal year	-
Expired options	17,000
Options outstanding at November 30, 2014	14,100
Options exercisable at November 30, 2014	14,100

4.2.2.8.2. Bonus share plan

Under the January 17, 2012 bonus share plan 19,000 bonus shares were definitively awarded on January 17, 2014 at the end of the vesting period and were delivered.

As authorized by the Shareholders' Meeting of April 11, 2014, the Board of Directors awarded 70,200 additional bonus shares at its meeting on April 11, 2014.

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, by any means whatsoever, transfer title to the shares actually vested before the expiration 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, 2014 are set forth in the table below.

Bonus share plan	January 22, 2013	April 11, 2014
Date of the Extraordinary Shareholders' Meeting authorizing the plan	April 19, 2012	April 11, 2014
Total number of bonus shares that may be awarded	100,000	70,200
Date of the Board of Directors' meeting granting the shares	January 22, 2013	April 11, 2014
Number of beneficiaries	40	741
Types of shares	Existing	Existing
Number of bonus shares awarded	35,800	70,200
Void shares	5,700	2,880
Shares outstanding at November 30, 2014	30,100	67,320

Stock subscription warrants

The Extraordinary Shareholders' Meeting of December 3, 2007 resolved to immediately issue 721,086 Company stock subscription warrants (SSWs) reserved for 21 group employees and for one Corporate officer.

The SSWs that were held by the employees and the Corporate officer who have left the group (i.e. a total of 599,212 SSWs at the date of this Registration Document) were bought by Financière Daunou 10, which decided not to exercise said SSWs, which therefore are now void.

Accordingly, at the date of this Registration Document, only 121,874 SSWs may still be exercised.

The exercise of these 121,874 SSWs could result in a capital increase for a maximum nominal amount of €31,687.76, plus, if applicable, 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 may 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.

4.2.2.9. Provisions for liabilities and charges

(in € thousands)	November 30, 2014	November 30, 2013
Provision for the allocation of bonus shares ^(a)	1,323	467
Provision for tax liabilities	-	12,900
Provision for subsidiary liabilities ^(b)	5,544	252
Other provisions for liabilities and charges	500	494
Provisions for liabilities and charges	7,367	14,113

(a) Provision made for the capital loss that the Company will incur upon delivery of the bonus shares to the employees.

(b) Provision in the amount of the net negative position of the subsidiaries Kaufman & Broad Rénovation (€0.2 million) and Kaufman & Broad Normandie (€5.3 million).

On May 16, 2014, Kaufman & Broad SA signed a settlement agreement ending the litigation relating to its Belgian subsidiary.

To hedge the entire tax risk to which Kaufman & Broad SA was exposed in relation to its subsidiary Kaufman & Broad Europe, a company resident in Belgium until November 2013, the agreement covers not only the audited period from 2008 to 2012, but also the years 2013 and 2014, which have not yet been audited. Accordingly, the total amount of the adjustment to

be paid by Kaufman & Broad SA for the entire 2008-2014 period totals €16.6 million. Part of this amount was paid through a charge to prior losses (€6.4 million) and to the carry back receivable (€7.4 million).

On this basis, Kaufman & Broad accordingly reversed at November 30, 2014 the €12.9 million provision recorded at November 30, 2013. The net tax expense related to the adjustment for fiscal year 2014 was therefore €3.7 million.

(in € thousands)	November 30, 2013	Increase	Reversals used	Reversals unused	November 30, 2014
Provision for allotted bonus shares	467	1,508	652	-	1,323
Provision for tax liabilities	12,900	1,000	13,900	-	-
Provision for subsidiary liabilities	252	5,373	-	81	5,544
Other provisions for liabilities and charges	494	6	-	-	500
Provisions for liabilities and charges	14,113	7,887	14,552	81	7,367

4.2.2.10. Financial debt

(in € thousands)	November 30, 2014	November 30, 2013
Syndicated bank credit line	150,000	237,667
Utilized credit facilities	-	-
Interest accrued on borrowings	110	66
Financial debt	150,110	237,733

Kaufman & Broad SA has available to it a syndicated bank credit line, the features of which are detailed below.

Main use of debt

(in € thousands)	Debt capacity	Utilization at November 30, 2014	Repayment	Rate ^(a)
Senior A	50,000	50,000	repayable by semi-annual installments of €5.5 million from March 2015 to March 2019	E +325 BPS
Senior B	100,000	100,000	bullet repayment in March 2019	E +350 BPS
Total	150,000	150,000	-	-

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

At November 30, 2014, the group had utilized €150 million of the syndicated bank credit line, versus €237.7 million at November 30, 2013.

- On March 19, 2014, Kaufman & Broad SA a signed a new Senior Facilities Agreement for a total amount of €200 million to replace the existing Senior Facilities Agreement.

Kaufman & Broad SA's new Senior Facilities Agreement, which has a five-year maturity, includes:

- a new Revolving Credit Facility, with a bullet repayment, for a maximum of €50 million (the interest rate for tranche A is 3%, plus 0.25% if the net debt-to-EBITDA ratio > 0);
- a new Senior Facility including:
 - tranche A for €50 million, repayable by semi-annual installments of €5.5 million starting in March 2015 (the interest rate of tranche A is 3%, plus 0.25% if the net debt-to-EBITDA ratio is > 0),

- tranche B for €100 million, with a bullet repayment, (the interest rate of tranche B is 3.25%, plus 0.25% if the net debt-to-EBITDA ratio is > 0).

The Company has allocated the amounts available under the A and B tranches, as well as its available cash, to the repayment in full of the existing debt under its Senior Facilities Agreement of July 9, 2007, totaling €219 million at March 31, 2014. As at November 30, 2014, the Company had not started utilizing its new revolving credit line.

2. Adjustment of financial ratios:

During the accounting quarters from August 2014 until the expiration of the agreement in 2019, the group is required to comply with 2 ratios, calculated on a consolidated basis, with levels defined as follows:

Ratios at each quarter-end	Threshold	Ratio at November 30, 2014
Leverage Ratio (non-risk weighted assets ratio) ⁽¹⁾	< 3	0.01
Debt Ratio ⁽²⁾	< 1	0.00

(1) Namely: Net Financial Debt divided by EBITDA (b) where:

(a) Financial Debt means gross financial debt less cash and cash equivalents and excluding certain subordinated debts and certain off-balance sheet items;

(b) EBITDA means the net earnings of the consolidated group before income tax, interest income (including net financial expenses, 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, less minority interests.

(2) Namely: Net Financial Debt (a) divided by adjusted shareholders' equity (c);

(c) Adjusted shareholders' equity = consolidated shareholders' equity at November 30, 2013 + cumulative income from January 12, 2013 to the end of the relevant quarter – dividends paid for the relevant period + cumulative impairment charge for the period from January 12, 2013 to the end of the relevant quarter.

- The agreement provides for a cash sweep clause on certain conditions.
- The sureties pledged in guarantee for the sums owed by the Company as a borrower are described in Note 24 to the financial statements and are similar to those that were in place for the 2007 Senior Facilities Agreement for which total release was obtained under the refinancing.

Schedule

(in € thousands)

Maturity

	November 30, 2014	Less than 1 year	1 to 5 years	More than 5 years
Syndicated line ^(a)	150,000	11,100	138,900	-
Credit facilities utilized	-	-	-	-
Accrued interest	110	110	-	-
Gross financial debt	150,110	11,210	138,900	-

(a) The syndicated bank credit lines opened in March 2014 will be repaid as follows: tranche A (€50.0 million) is repayable by semi-annual installments of €5.5 million starting in March 2015; tranche B has a bullet repayment due in March 2019.

4.2.2.11. Other payables

(in € thousands)

November 30, 2014 November 30, 2013

Value added tax	927	235
Corporate income tax ^(a)	6,815	-
Other taxes	58	56
Other miscellaneous receivables	447	457
Current accounts ^(b)	7,669	20,610
Other payables	15,916	21,358

(a) This tax debt corresponds to the balance to be paid under the 2014 tax consolidation, since the group has used all the tax receivables and prior losses.

(b) This amount includes €1.4 million, corresponding to the current account of the member companies in the consolidated VAT scope, and €5.7 million for the cash advances granted to group companies.

(in € thousands)

November 30, 2014 ≤ 1 year 1 to 5 years More than 5 years

Value added tax	927	927	-	-
Corporate income tax	6,815	6,815	-	-
Other taxes	58	58	-	-
Other miscellaneous receivables	447	447	-	-
Current accounts	7,669	7,669	-	-
Other payables	15,916	15,916	-	-

4.2.2.12. Amounts due to or owed by equity affiliates

(in € thousands)

November 30, 2014 November 30, 2013

Receivables on equity interests	46,629	62,782
Other receivables	65,830	90,506
Current accounts	(7,669)	(20,610)
Related companies receivables and payables	104,790	132,678

4.2.2.13. Accrued expenses and revenues

(in € thousands)

November 30, 2014 November 30, 2013

Borrowings and financial debts	(110)	(66)
Trade payables and related accounts	(782)	(472)
Tax and Social Security liabilities	(6)	(4)
Total payables	(898)	(542)

The amount listed under trade payables and related accounts corresponds primarily to fees not yet invoiced.

(in € thousands)

November 30, 2014 November 30, 2013

Other receivables	-	13
Other accrued income	-	13

4.2.2.14. Revenues

(in € thousands)	November 30, 2014	November 30, 2013
Services	3,412	1,126
Total	3,412	1,126

Revenues correspond, in particular, to the re-invoicing of operating costs incurred in 2014 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 external charges

(in € thousands)	November 30, 2014	November 30, 2013
Legal fees and issuance costs ^(a)	(5,657)	(750)
Audit fees	(266)	(409)
Internal services	(760)	(818)
Other expenses	(346)	(269)
Total	(7,029)	(2,247)

(a) The fees for arranging the new line of credit totaled €4.6 million.

4.2.2.16. Profits allocated and losses incurred

This item records the income from program support companies for a net total of €60 million as at November 30, 2014, compared with €83 million as at November 30, 2013. It comprises:

- €62.4 million at end-November 2014 versus €88.1 million at end-November 2013, for profits allocated;
- €2.5 million at end-November 2014 versus €4.9 million at end-November 2013, for losses incurred.

4.2.2.17. Financial income

(in € thousands)	November 30, 2014	November 30, 2013
Dividends received ^(a)	10	27,598
Net change in provisions ^(b)	(1,684)	3,612
Financial income relating to the early repayment of the Senior B and C lines	-	-
Net interest expenses ^(c)	(7,827)	(9,753)
Total	(9,501)	21,458

(a) The dividends and financial revenues comprise the dividends received from subsidiaries, primarily from Kaufman & Broad Real Estate.

(b) In 2014 this amount included:

- a reversal of €2.6 million for impairment of the shares of Kaufman & Broad Financement,
- a reversal of €0.9 million for impairment of the shares of SM2I
- a reversal of €0.3 million for impairment of the shares of SMCi
- a €5.4 million increase in the provision for the impairment of the shares of Kaufman & Broad Normandie;

(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, 2014	November 30, 2013
Other net non-recurring loss ^(a)	(1,102)	(895)
Total	(1,102)	(895)

(a) The 2014 non-recurring loss corresponds to the tax penalties related to the settlement signed with the tax authorities in the amount of €0.8 million and the capital loss on treasury shares delivered under bonus share plans in the amount of €0.3 million.

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 contains details of the portfolio of one-month Euribor lender/fixed-rate borrower swaps at November 30, 2014.

Type	Notionnel amount (in € millions)	Fixed rate	Start date	Expiration End date	Type	Fair value as of Nov. 30, 2014 as % of nominal
EUR 1M fixed rate swap	20	0.466%	April 30, 2014	Nov. 30, 2017	Hedge	-1.37%
EUR 1M fixed rate swap	10	0.500%	Nov. 28, 2014	Nov. 30, 2017	Hedge	-1.44%
EUR 1M fixed rate swap	20	0.500%	Nov. 30, 2014	Nov. 30, 2017	Hedge	-1.43%
EUR 1M fixed rate swap	10	0.470%	Nov. 30, 2014	Nov. 30, 2017	Hedge	-1.34%
EUR 1M fixed rate swap	15	0.130%	Nov. 30, 2014	Nov. 30, 2018	Hedge	-0.26%
EUR 1M fixed rate swap	50	0.300%	Nov. 28, 2014	Nov. 30, 2018	Hedge	-0.88%

Off-balance sheet commitments received

Unutilized syndicated credit lines

(in € thousands)

November 30, 2014 November 30, 2013

Unutilized RCF line ^(a)	50,000	52,900
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a) Under the debt refinancing of March 2014 (see Note 4.2.2.10.), an RCF line in place at November 30, 2013 was closed. A new Revolving Credit Facility (RCF) line for a maximum amount of €50 million with bullet repayment in March 2019 was set up to finance the group's general and working capital requirements. This line has not been utilized since it was arranged.

(in € thousands)

November 30, 2014 November 30, 2013

Land non-use indemnities and works guarantees	8,763	5,313
Counter-guarantees issued ^(a)	43,832	52,473
Total	52,595	57,786

(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 relating to an offices program for €34 million.

Pledges and liens

Liens were granted by Kaufman & Broad SA to guarantee its commitments in relation to the financing arranged in March 2014. These liens are similar to those that were in place for the previous financing, terminated in March 2014.

Type of pledge/lien

Final
expiration
date ^(a)

Amount
of assets
pledged ^(b)

Total
balance
sheet item

Total % of
Kaufman
& Broad SA
balance
sheet at
Nov. 30, 2014

Pledge of financial instrument account - 100% of Kaufman & Broad Homes SAS shares held by the Company	€10,450,195	€10,450,195	2%
Pledge of the credit balance in the Kaufman & Broad SA bank accounts	€35,505	€35,505	-
Framework agreement for the assignment of intra-group receivables from Kaufman & Broad SA's subsidiaries, in particular Kaufman & Broad Financement SNC	-	-	-
Pledge of 100% of Kaufman & Broad Europe SAS shares	€217,436,878	€217,436,878	48%
Total	€227,922,578	€227,922,578	50%

(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, 2014.

4.2.3. Tax consolidation and future tax position

The Company opted for tax consolidation starting from 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 five times, making it valid until the end of 2019.

(in € millions)	Pre-tax book income (loss)	Tax adjust- ments ^(a)	Pre-tax fiscal income	Tax loss carry forward to be charged	Taxable income	Kaufman & Broad SA theoretical tax	Tax conso- lidation effect income/ (expense)	Recognized tax income/ (expense)	Net income
Current	58,484	37,928	96,412	(48,368)	48,044	(24,469)	(781)	(25,250)	33,234
Non-current	(1,102)	-	(1,102)	-	(1,102)	379	-	379	(723)
Total	57,382	37,928	95,310	(48,368)	46,942	(24,090)	(781)	(24,871)	32,511

(a) The tax adjustments mainly include the 2014 add-back related to the tax risk for €12.9 million (see Note 4.2.2.9.), the add back of income in the amount of €4 million corresponding to the accounting income of the subsidiary Kaufman & Broad Europe and the 2014 adjustment of the recognition of revenues and margins on a percentage-of-completion basis recorded in book income but neutralized for the calculation of tax income on a completion basis.

Unrealized tax position:

The tax loss carry forward balance was used for fiscal year 2014 for one portion for the settlement of the transaction (see Note 4.2.2.9.) and for the balance through the charge for tax under the 2014 tax consolidation.

The unrealized tax position components correspond for the most part to the differences in the recognition of programs under the percentage-of-completion method the results of which are taxed on a completion basis for an amount of approximately €83 million.

4.2.4. Related party transactions

By virtue of the license agreement signed with Kaufman & Broad Europe SAS, Kaufman & Broad SA is licensed to use the brands,

logos and Kaufman & Broad domain names in France, free of charge. All related party transactions are arms' length transactions.

4.2.5. Post-closing events

On December 19, 2014, Kaufman & Broad Real Estate, a wholly owned subsidiary of Kaufman & Broad SA, took control over Concerto Développement, acquiring one of France's leaders in logistics development from Affine, of which Concerto

Développement was a subsidiary, for the amount of €4.4 million. Affine will remain a partner of Kaufman & Broad as a minority affiliate for project developments until 2018.

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 Financière Gaillon 8 SA.

4.2.7. Other

Kaufman & Broad SA has no employees.

The total compensation for directors and Corporate Officers for 2014 amounted to €1,536,904, of which €215,467 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 the gross book of which 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	46,245,786	99.90%	217,436,878
Kaufman & Broad Homes SAS	2,247,403	5,903,933	100.00%	10,450,195
Kaufman & Broad Développement SAS	152,449	(2,185,192)	100.00%	152,449
SMCI Développement SAS	762,245	(650,022)	100.00%	762,245
Kaufman & Broad Rénovation SAS	160,000	(352,268)	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	6,377,240	100.00%	30,191,792
Kaufman & Broad Méditerranée SARL	100,000	(12,636,073)	100.00%	100,000
Kaufman & Broad Normandie SARL	100,000	(4,858,173)	100.00%	100,000
Kaufman & Broad Savoie SARL	100,000	(177,336)	100.00%	100,000
Kaufman & Broad Rhône-Alpes SARL	1,300,000	(13,762,462)	100.00%	1,300,000
Kaufman & Broad Pyrénées-Atlantiques SARL	100,000	(1,059,948)	100.00%	100,000
Résidences Bernard Teillaud SARL	840,000	13,075,088	100.00%	15,663,729
Kaufman & Broad Midi-Pyrénées SARL	2,858,910	14,570,193	100.00%	36,404,833
Kaufman & Broad Languedoc-Roussillon SARL	100,000	(3,681,407)	99.00%	99,000
Kaufman & Broad Aquitaine SARL	100,000	(7,608,180)	99.00%	1,387,900
SM2I	1,000,000	(450,412)	100.00%	5,059,325
Kaufman & Broad Flandres	7,700	26,164	99.90%	636,000
2. Equity associates (at least 10% to 50% owned by the Company)				
B – General information on other interests with a gross value of 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	18	99.90%	990
SNC Kaufman & Broad Promotion 3	1,000	(732,685)	99.90%	990
SNC Kaufman & Broad Promotion 4	1,000	(227,562)	99.90%	990
SNC Kaufman & Broad Promotion 5	1,000	(52,721)	99.90%	990
SNC Kaufman & Broad Promotion 6	1,000	84,875	99.90%	990
SNC Kaufman & Broad Promotion 7	1,000	-	99.90%	990
SNC Kaufman & Broad Promotion 8	1,000	(77,418)	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)				
	-	-	-	107,223

	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 the fiscal year
217,436,878	-	-	-	8,654,489	7,652,455	-
10,450,195	-	-	-	31,236,542	5,284,961	-
152,449	-	-	-	13,440,045	(2,800,767)	-
762,245	-	-	-	163,377	(123,764)	-
-	-	-	-	1,588,268	21,680	-
4,307,707	-	-	-	461,319	742,752	-
30,191,792	1,869,539	-	-	6,230,370	(2,539,000)	-
100,000	-	-	-	7,449,035	(5,355,355)	-
-	-	-	-	64,676	(613,669)	-
100,000	52,023	-	-	2,047,072	(869,030)	-
1,300,000	324,986	-	-	4,997,658	(763,121)	-
100,000	-	-	-	4,374,689	(747,749)	-
15,663,729	-	-	-	1,515,035	829,187	-
36,404,833	50,538	-	-	9,344,986	(4,558,822)	-
99,000	-	-	-	3,617,985	(3,131,768)	-
1,387,900	-	-	-	6,998,021	(1,685,060)	-
1,414,113	-	-	-	1,689,562	797,787	-
636,000	-	-	-	523,030	(934,344)	-
990	1,580,889	-	-	94,550,935	8,279,806	-
990	251	-	-	(931)	298,671	-
990	18,124,424	-	-	186,291,384	13,814,858	-
990	17,820,891	-	-	166,324,950	18,119,194	-
990	674,871	-	-	82,847,190	8,405,563	-
990	1,998,580	-	-	17,138,992	1,026,968	-
990	-	-	-	-	(39,261)	-
990	1,336,465	-	-	64,480,599	2,659,682	-
990	-	-	-	-	17,799	-
33,880	-	-	-	-	-	-
1,188	-	-	-	-	-	-

4.2.9. Five-year financial summary

Type of information	2014	2013	2012	2011	2010
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	3,411,525	1,125,881	1,075,639	237,827	291,931
b) Earnings before taxes, amortization, depreciation and provisions	47,984,896	97,446,761	78,266,580	68,287,720	(7,123,846)
c) Tax on profits	24,871,390	15,202,518	(1,565,327)	(4,813,594)	(5,583,106)
d) Earnings after taxes, amortization, depreciation and provisions	32,510,444	79,966,898	72,042,542	68,015,260	9,221,151
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	2.22	4.51	3.70	3.39	-0.07
b) Earnings after taxes, amortization, depreciation and provisions	1.51	3.70	3.34	3.15	0.43
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 Statutory Auditors and Members of their Networks

See Section 4.1.6. "Additional information" – Note 31 "Fees paid by the group to the Statutory Auditors and members of their networks".

4.3. Information on Related Parties

Section 3.2.6. "Information on transactions with companies that have directors in common with the Company or other group companies" describes, in particular, the current agreements.

Section 4.1.6. "Additional Information," Note 30 "Related Party Transactions" describes the terms and conditions of related party transactions.

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5.1. General information concerning the company

5.1.1. Company name and registered office

Company name: Kaufman & Broad SA
 Registered office: 127, avenue Charles de Gaulle
 92207 Neuilly-sur-Seine Cedex
 Telephone: +331 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 Trade and Companies Register of Nanterre 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 Corporate 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 contracts of sale 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 and companies register

The Company is identified under number 702 022 724 in the Trade and Companies Register of Nanterre.

5.1.6. Consultation of documents

All the legal documents relating to the Company that must by law be made available to shareholders, as well as all published documents of the Kaufman & Broad group referred to in this Registration

Document, may be consulted at the Company's registered office at 127, avenue Charles de Gaulle, Neuilly-sur-Seine, or on the www.ketb.com website.

5.1.7. Fiscal year

The Company's fiscal year begins on December 1 and ends on November 30.

5.1.8. Appropriation of income

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 authorized capital.

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*).

As part of the group's refinancing, a Senior Facilities Agreement was signed on March 19, 2014 (see Section 4.1.5. "Statement of Financial Position – Liabilities" Note 24.1. "Gross financial debt by type"), by virtue of which the Company may only distribute dividends if the Total Net Leverage Ratio (see Section 1.2.1.5.4. "Financial covenants under the 2014 Senior Facilities Agreement") is not lower than 1.

5.1.9. Shareholders' meetings

Shareholder decisions are made at 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 registered office or in any other location indicated in the notice of meeting.

They are convened by the Board of Directors, in the manner and within the time limit set by law. All shareholders are entitled to attend Shareholders' Meetings, either in person or by proxy, provided that they submit proof of their identity and of 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 in the manner stipulated by law. Shareholders may also cast postal votes in the manner stipulated by law.

Shareholders who participate 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 a *quorum* and voting 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 shareholder or by any person or legal entity of their choice, at all Shareholders' Meetings. Shareholders may also cast postal votes in the manner stipulated by law.

Shareholders' Meetings are chaired by the Chairman of the Board of Directors or, in the Chairman's absence, the Deputy Chairman or, in the Deputy Chairman's absence, by a director designated by the Board. When they so agree, the two

shareholders present that hold the largest number of votes in their own names and/or as 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 have been converted to bearer shares or have been transferred, except for all transfers from a registered owner to a registered owner as part of an 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 any multiple thereof) or more of the authorized capital or the voting rights of the Company including beyond the thresholds provided for by law or regulation, must notify the Company by registered mail with acknowledgement of receipt, within five trading days of the date when 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 French Corporate law, any individual or entity, acting alone or in concert with others, who acquires more than one twentieth, one tenth, three twentieths, one fifth, one quarter, one third, a half, two thirds, eighteen twentieths or nineteen twentieths of the Company's capital and/or voting rights must notify the Company by registered mail with acknowledgement of receipt, within five trading days of the date when such threshold was crossed, of the number of shares such individual or entity holds and the voting rights attached thereto.

The methods for calculating the crossing of these disclosure thresholds, as well as the content of the declarations to be made to the Company and to the AMF, are defined in the applicable laws and regulations.

The duty to inform the Company applies equally when the percentage of the authorized capital or voting rights held by a shareholder falls below the aforementioned thresholds.

In the event of failure to make the required declaration, the shares in excess of the relevant threshold will automatically be stripped of the right to vote 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 failure to declare the crossing of legal thresholds also apply in the event of failure to declare the crossing of thresholds stipulated in the bylaws, provided that one or more shareholders holding at least 5% of the capital or voting rights has requested this, and that 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, 2014 and the change over three years".

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 authorized capital is composed of 21,584,658 shares all carrying the same rights (see Sections 5.1.8. "Appropriation of income" and 5.1.10. "Double Voting Rights"). Only the shares held by Kaufman & Broad shares are, during the time that the Company holds them, stripped of their voting and dividend rights, and of the rights to a share of any liquidating dividend.

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 when this authorization was changed to 7% of the number of shares comprising the authorized capital.

5.2.3.1. Buyback program authorized by the Shareholders' Meeting of April 11, 2014

The Shareholders' Meeting of April 11, 2014, voting with the *quorum* and majority required for Ordinary Shareholders' Meetings and after reviewing 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 market or the liquidity of the Company's shares through an investment service provider under a liquidity contract that complies with the AMAFI's Code of Ethics recognized by the AMF,
 - acquire shares to be held and subsequently used for payment or exchange in external acquisitions, in compliance with market practices accepted by the AMF,
 - allocate shares to employees and/or Corporate Officers (in the manner provided by law), in particular under a stock purchase plan, a bonus share grant plan or under a savings plan,
 - allocate shares to the holders of marketable securities giving rights to the Company's shares 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 eighteenth resolution of the Extraordinary Shareholders' Meeting of April 11, 2014.

The purchases, disposals or transfers described above may be carried out by any method compatible with the law or applicable regulations, including through derivative financial instruments or block trades. These transactions may occur at any time, including during the period of a public offer for the Company's shares, provided that such offer 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 set the maximum number of shares that may be acquired under this resolution at 7% of the authorized 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 stays always within the maximum limit of 7% of the authorized capital and (ii) that the number of treasury shares to be used as payment or exchange in a merger, demerger or contribution may not exceed 5% of the capital.

The Shareholders' Meeting resolved that the maximum purchase price may not exceed €35 per share, such price applying only to acquisitions decided on or after 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 11, 2014.

Pursuant to Article R. 225-151 of the French Commercial Code, the maximum amount that may be allocated by the Company to the share buy-back program under this resolution is set at €52.5 million.

Authorization was granted for a period of 18 months from the date of the Meeting and supersedes, for the unused portion, the authorization previously granted by the thirteenth resolution of the Shareholders' Meeting of April 25, 2013.

Liquidity contract

Effective from June 5, 2006 and for a one-year term, with automatic renewal, Kaufman & Broad SA entrusted Rothschild & Cie Banque with implementation of a liquidity agreement in accordance with the Code of Ethics prepared by the French Association of Investment Companies and approved by the *Autorité des Marchés Financiers* by a decision of March 22, 2005 and published in the *Bulletin des Annonces Légales Obligatoires* of April 1, 2005.

To implement this contract, €4 million were allocated to the liquidity account, its amount having subsequently been 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, 2014, 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 2014 fiscal year as follows:

Number of shares purchased:	70,216 shares
Average purchase price:	€22.69
Number of shares sold:	63,991 shares
Average selling price:	€22.56
Total trading fees:	€35,000

At November 30, 2014, the group held 924,538 treasury shares (representing 4.28% of the Company's capital), 106,000 shares (representing 0.49% of the Company's capital) intended to cover the bonus share allotments of January 2013 and 2014, 812,288 shares (representing 3.76% of the Company's capital) to ensure achievement of the other objectives of the share buy-back program and 6,250 shares held under the liquidity agreement (representing 0.03% of the Company's capital).

On October 5, 2011 Kaufman & Broad commissioned Rothschild & Cie Banque with the task of assisting it in its need to achieving certain objectives 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 task entrusted to Rothschild & Cie Banque. At November 30, 2014, the Company held 918,288 shares acquired on this basis (representing 4.25% of the Company's capital).

5.2.3.3. Summary of bonus share awards

Pursuant to the authorizations of the Shareholders' Meetings of Kaufman & Broad SA in April 2009, April 2012 and April 2014, 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.

As part of the bonus share plan, the Board of Directors, at its meeting of January 17, 2012, granted 19,000 bonus shares, which were definitively granted at the end of the two-year vesting period and were delivered in fiscal year 2014.

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, 2014 are set out in the table below.

Bonus shares	January 22, 2013	April 11, 2014
Date of the Extraordinary Shareholders' Meeting authorizing the plan	April 19, 2012	April 11, 2014
Total number of bonus shares that may be awarded	100,000	200,000
Date of the Board of Directors' meeting granting the shares	January 22, 2013	April 11, 2014
Total number of shares granted	35,800	70,200
Number of beneficiaries	40	741
Date of transfer of ownership of bonus shares	January 23, 2015	April 12, 2016
Date of sale of bonus shares	January 23, 2017	April 12, 2018
Void shares	5,700	2,880
Shares outstanding at November 30, 2014	30,100	67,320

5.2.3.4. Special report on stock options presented to the Shareholders' Meeting of April 16, 2015

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
Plan 2006	April 19, 2006	April 19, 2006	S	95,500	April 19, 2016	€44.23	-	14,100

(a) S: Subscription or P: Purchase.

5.2.3.4.2. Bonus shares awarded during the fiscal year ended November 30, 2014 to Kaufman & Broad SA's Corporate Officers by Kaufman & Broad SA and by the companies related to it under the conditions set forth in Article L. 225-197-2

Executive Corporate officer of the Company	Net number	Price at date of award	Date of share award	Company awarding the shares
Nordine Hachemi	12,000	€22.80	April 11, 2014	Kaufman & Broad SA

5.2.3.4.3. Bonus shares awarded during the fiscal year to the Corporate Officers by companies considered to be controlled within the meaning of Article L233-16, for offices or positions that they held in them

None.

5.2.3.4.4. Bonus shares awarded during the fiscal year ended November 30, 2014 by the Company and by the companies or groups associated with it as stipulated in Article L. 225-197-2, to each of the ten employees of the Company who are not Corporate Officers and who were awarded the highest number of shares

Company employee	Net number	Price at date of award	Date of share award	Company awarding the shares
Andr�s Boros	1,200	22.80	04/11/2014	Kaufman & Broad SA
Fr�d�ric Bourg	1,200	22.80	04/11/2014	Kaufman & Broad SA
Denis Caniaux	1,200	22.80	04/11/2014	Kaufman & Broad SA
Bruno Coche	3,000	22.80	04/11/2014	Kaufman & Broad SA
St�phane Dalliet	1,200	22.80	04/11/2014	Kaufman & Broad SA
Christian Delapierre	3,000	22.80	04/11/2014	Kaufman & Broad SA
Fran�ois-Xavier Delfour	1,200	22.80	04/11/2014	Kaufman & Broad SA
Jean-Fran�ois Demaris	3,000	22.80	04/11/2014	Kaufman & Broad SA
Cyril Doucet	1,200	22.80	04/11/2014	Kaufman & Broad SA
Christophe Duretete	1,200	22.80	04/11/2014	Kaufman & Broad SA
St�phane Gress	1,200	22.80	04/11/2014	Kaufman & Broad SA
Olivier Hepp	1,200	22.80	04/11/2014	Kaufman & Broad SA
David Laurent	1,200	22.80	04/11/2014	Kaufman & Broad SA
B�atrice Mortier	1,200	22.80	04/11/2014	Kaufman & Broad SA
Jacques Rubio	3,000	22.80	04/11/2014	Kaufman & Broad SA
Marc Speisser	1,200	22.80	04/11/2014	Kaufman & Broad SA
William Truchy	3,000	22.80	04/11/2014	Kaufman & Broad SA
Marc Vettraino	1,200	22.80	04/11/2014	Kaufman & Broad SA

- 5.2.3.4.5. Bonus shares awarded during the fiscal year ended November 30, 2014 by the Company and by the companies or groups associated with it under the conditions set forth in Article L. 225-197-2, to all eligible employees by category of beneficiary

Category	Number of beneficiaries	Number of shares awarded
Executive Corporate officer	1	12,000
Member of the Management Committee	5	15,000
Directors of profit centers/or of a support department	13	15,600
Department heads	82	14,800
Other employees	640	12,800
Total	741	70,200

5.2.3.5. Summary table of securities transactions by Corporate Officers and related parties during the last fiscal year

Name	Alexandre Dejoie
Position with the issuer	Director
Transactions executed by a person to the above person	-
Financial instrument	Shares
Total number of financial instruments sold	-
Weighted average price	€0
Total cost of sales	€0
Total number of financial instruments acquired	250
Weighted average price	€24.00
Total cost of acquisitions	€6,000.00

Name	Joël Monribot
Position with the issuer	Director
Transactions executed by a person to the above person	-
Financial instrument	Shares
Total number of financial instruments sold	30,000
Weighted average price	€25.00
Total cost of sales	750,110 €
Total number of financial instruments acquired	-
Weighted average price	€0
Total cost of acquisitions	€0

5.2.4. Authorized capital

The Company's authorized capital at November 30, 2014, was €5,612,011.08, consisting of 21,584,658 ordinary shares, 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 authorized capital 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 11, 2014, 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. "Summary of bonus share awards" and Section 10.4. "Summary table of currently valid delegations concerning capital increases").

The Shareholders' Meeting of December 3, 2007 issued 721,086 stock subscription warrants (SSWs) reserved for 21 group employees and one Corporate officer. The SSWs that were held

by employees who are no longer with the group (i.e., at the date of this Registration Document a total of 599,212 SSWs) were bought by Financière Daunou 10, which decided not to exercise these SSWs and they are now void. The number of SSWs remaining at the 2014 fiscal year-end was 121,874. Exercising these SSWs may result in a future capital increase of a maximum nominal amount of €31,687.76, to which will be added the amount of the supplemental capital increases made necessary to preserve the rights of SSW holders in the event 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	Nominal amount of capital increase	Premium per share	Total premium	New authorized capital	New shares outstanding	Par value of shares
November 30, 1997	-	-	-	FF 29,992,949	FF 19,414,200	194,142	FF 100
January 21, 2000	-	-	-	-	-	-	-
30-for-1 stock split	5,630,118	-	-	FF 29,992,949	FF 19,414,200	5,824,260	FF 3.3333
January 21, 2000	-	-	-	-	-	-	-
Conversion of the capital into euros ^(a)	-	€10,696.89	-	€4,572,395.60	€2,970,372.60	5,824,260	€0.51
February 7, 2000	-	-	-	-	-	-	-
Initial public offering	5,130,000	€2,616,300	€22.49 €	€119,946,095.60	€5,586,672.60	10,954,260	€0.51
February 7, 2000	-	-	-	-	-	-	-
Issuance of shares to Kaufman & Broad	-	-	-	-	-	-	-
Actionnariat FCPE ^(d)	18,937	€9,657.87	€21.34 €	€120,350,211.18	€5,596,330.47	10,973,197	€0.51
February 10, 2000	-	-	-	-	-	-	-
Distribution of issue premium ^(b)	-	-	-	€34,669,383.34	-	10,973,197	€0.51
March 8, 2000	-	-	-	-	-	-	-
Overallotment (greenshoe) ^(c)	165,390	€84,348.90	€22.49	€38,389,004.44	€5,680,679.37	11,138,587	€0.51
March 8, 2000	-	-	-	-	-	-	-
Charging of issue costs	-	-	-	€35,729,089.28	-	11,138,587	€0.51
April 19, 2006	-	-	-	-	-	-	-
Issuance of shares, charged against retained earnings	-	€111,385.87	-	€35,729,089.28	€5,792,065.24	11,138,587	€0.52
2-for-1 stock split	11,138,587	-	-	€35,729,089.28	€5,792,065.24	22,277,174	€0.26
July 8, 2009	-	-	-	-	-	-	-
Capital reduction	-692,516	-€180,054.16	-	€35,729,089.28	€5,612,011.08	21,584,658	€0.26

(a) Par value of capital converted into euros, rounded up with capitalization of reserves in the amount of €10,696.89.

(b) In application of the Sixth and Eighth Resolutions of the Shareholders' Meeting of January 21, 2000, paid-in capital in an amount of €85,680,827.84 was distributed to existing shareholders on the date of the Meeting of January 21, 2000, in proportion to their interests on that date.

(c) Since the offering for individual and institutional investors was oversubscribed, the February 7, 2000 initial public offering was supplemented by the issuance of additional shares under a greenshoe option.

(d) See Section 3.3.2. "Company savings plan".

5.3. Current share ownership and voting rights

5.3.1. Shareholders of the Company at November 30, 2014 and the change over three years

At November 30, 2014 the shareholders of our Company were as follows:

Shareholders at November 30, 2014	Number of shares	% of authorized capital	% of voting rights exercisable at Shareholders' Meetings	% of theoretical voting rights
Shareholder				
Companies owned by funds held by PAI Partners ^(a)	19,132,820	88.64%	95.28%	93.13%
Public ^(b)	1,280,935	5.94%	4.10%	4.01%
Kaufman & Broad SA	924,538	4.28%	0.00%	2.26%
Employees	246,365	1.14%	0.62%	0.60%
Total	21,584,658	100.00%	100.00%	100.00%

(a) Financière Gaillon 8 SA holds 87.95% of the authorized capital and 94.91% of the voting rights.

(b) Shares held by directors are included under the heading "Public" in respect of the shareholder structure at November 30, 2014.

The total number of shares known to have double voting rights at November 30, 2014 was 19,321,914. Accordingly, at that same date, the total number of theoretical voting rights of the Company totaled 40,906,572 and the total number of voting rights exercisable at the Shareholders' Meeting amounted to 39,982,034 (with the difference corresponding to the number of treasury shares held by the Company with no voting rights attached).

There are 97 holders of registered shares, individuals and Corporate entities combined.

At November 30, 2014, the number of shares held by members of the Board of Directors totaled 47,003 shares representing 70,350 votes.

At year-end, the number of shares held by employees, as defined in Article L. 225-102 of the French Commercial Code, represented 1.14% 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, 2014, 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, 2015

	Number of shares	% of authorized capital	% of voting rights exercisable at Shareholders' Meetings	% of theoretical voting rights
Shareholder				
Companies owned by funds held by PAI Partners ^(a)	19,132,820	88.64%	95.36%	93.18%
Public ^(b)	1,276,179	5.91%	4.03%	3.94%
Kaufman & Broad SA	933,359	4.32%	0.00%	2.28%
Employees	242,300	1.12%	0.61%	0.59%
Total	21,584,658	100.00%	100.00%	100.00%

(a) Financière Gaillon 8 SA holds 87.95% of the authorized capital and 94.91% of the voting rights.

(b) Shares held by directors are included under the heading "Public" in respect of the shareholder structure at January 31, 2015.

The Company has not been informed of any other thresholds that were crossed subsequent to the 2014 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, 2015.

Kaufman & Broad SA shares held by directors at January 31, 2015

	Number of shares	Number of voting rights
Shareholder		
Sylvie Charles	250	500
Alexandre Dejoie	250	250
Yves Galland	600	600
Nordine Hachemi	22,806	22,806
Sophie Lombard	250	500
Joël Monribot	22,097	44,194
Caroline Puechoultres	250	250
Frédéric Stévenin	250	500
Olivier de Vregille	250	500
Lionel Zinsou	250	500
Total	47,253	70,600

5.3.2. Changes in authorized capital over the past three fiscal years

Changes in the shareholders over 3 years at November 30	Number of shares	2014 % of capital	Number of shares	2013 % of capital	Number of shares	2012 % of capital
Shareholders						
Companies owned by funds held by PAI Partners ^(a)	19,132,820	88.64%	19,133,746	88.64%	19,133,746	88.64%
Public	1,280,935	5.93%	1,529,317	7.09%	1,579,645	7.32%
Kaufman & Broad SA	924,538	4.28%	681,840	3.16%	643,093	2.98%
Employees	246,365	1.14%	239,755	1.11%	228,174	1.06%
Total	21,584,658	100.00%	21,584,658	100.00%	21,584,658	100.00%

(a) Financière Gaillon 8 SA represented 87.95% of the capital at November 30, 2014 and 87.96% at November 30, 2013.

Changes in the voting rights over 3 years at November 30 Holders	2014	2013	2012
Companies owned by funds held by PAI Partners ^(a)	95.28%	94.64%	94.88%
Public	4.10%	4.76%	4.55%
Employees (via the Corporate Savings Plan)	0.62%	0.60%	0.57%
Total	100.00%	100.00%	100.00%
Total voting rights exerciseable at Shareholders' Meetings	39,982,034	40,277,139	40,177,038
Total voting rights	40,906,572	40,958,979	40,820,131

(a) Financière Gaillon 8 SA held 94.91% of the voting rights at November 30, 2014 compared to 94.27% at November 30, 2013.

The decrease in voting rights relates primarily to the Company's acquisition of its own shares, thereby stripping them of voting rights.

5.3.3. Legal entities holding control of the Company

5.3.3.1. PAI Partners

As of January 31, 2015, Financière Gaillon 8, a *Société Anonyme* with registered office at 232, rue de Rivoli, in Paris (75001) and registered in the Trade and Companies Register of Paris under number 497 658 377, held 87.95% of the capital and 94.91% of the Company's voting rights. The shares of Kaufman & Broad SA held by Financière Gaillon 8 were acquired:

- on July 10, 2007 from KB Home and Guy Nafilyan 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 to 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 remainder of the shares currently held by Financière Gaillon 8, through purchase on the market.

At the date of this document, the capital of Financière Gaillon 8 is held as follows:

- Financière Daunou 10 SARL, which holds the funds managed by PAI Partners, holds 34% of the capital and 68% of the voting rights of Financière Gaillon 8;
- the lender CA-CIB holds 40.5% of the capital and 0% of the voting rights;

- Financière de Neuilly, an investment vehicle in which the managers of the group have partnered to invest in Financière Gaillon 8 along with the PAI Partners group, holds 19% of the capital and 32% of the voting rights in Financière Gaillon 8.

On March 31, 2014, Financière Gaillon 8 refinanced its entire debt under the Senior Facilities Agreement signed by the Company on July 9, 2007 as original borrower and original guarantor for the purpose, in particular, of financing the acquisition of Kaufman & Broad SA (the "2007 Senior Facilities Agreement") by issuing on March 31, 2014 a loan represented by High Yield Notes governed by the laws of the State of New York, for a nominal amount of €370 million and at a fixed interest rate of 7.00% per year (the "High Yield Notes"), issued under an Indenture the primary terms and conditions of which are set forth in the Offering Memorandum. The refinancing of the 2007 Senior Facilities Agreement was accompanied by the release of all the guarantees granted under the agreement.

PAI is a leading European private equity investment firm and the largest private-equity investor in France. It is one of the oldest and most experienced investors in Europe. Its origins date back to Paribas's capital investment activity in 1872. PAI manages and advises private equity investment funds with a total capital investment of €7.9 billion in assets under management. Since 1994, PAI has conducted 54 buyouts in ten European countries, for a total of nearly €38 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 exclusive control of the Company by the PAI Partners group are described in Section 1.2.3.3. "Relations with the majority shareholder", it being specified that, according to the Company, such control may not be exercised in an abusive manner considering that, in particular, the Company refers, for Corporate governance matters, to the AFEP-MEDEF Code (See Sections 3.1.1.2.1. "Corporate Governance Code" *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, by and between Financière Daunou 10 SARL (an investment vehicle for funds managed by PAI Partners), Financière de Neuilly SAS (an investment vehicle in which Kaufman & Broad managers have

partnered to invest in Financière Gaillon 8) and certain employees or Corporate Officers of the group and managers who have invested in Financière de Neuilly. The purpose of the agreement is primarily to organize relations within Financière Gaillon 8 between Financière Daunou 10 and the group's managers and Financière de Neuilly, as well as to specify and organize the circumstances and conditions under which the group's managers will have the right or obligation to dispose of any shares issued by Kaufman & Broad which they hold. The agreement includes a number of clauses contained in Article L. 233-11 of the French Commercial Code and has been filed with the AMF (Notice No. 208C0035 of January 8, 2008).

As part of the restructuring of the debt of Financière Gaillon 8, the parties to the above shareholders' agreement and PAI Partners, signed a new shareholders' agreement on June 30, 2009 superseding the shareholders' agreement signed in 2007. The shareholders' agreement was amended and updated on June 16, 2014 following, in particular, the refinancing by Financière Gaillon 8 of its entire debt under the 2007 Senior Facilities Agreement, by issuing on March 31, 2014 a loan represented by High Yield Notes governed by the law of the State of New York, for a nominal amount of €370 million. Just as with the 2007 and 2009 agreements, the purpose of the shareholders' agreement signed on June 16, 2014 is to organize relationships within Financière Gaillon 8, between, on the one hand, Financière Daunou 10 and, on the other, the group's managers and Financière de Neuilly, and to stipulate and organize the circumstances and conditions under which the managers of the group will have the right or the obligation to sell some of the Kaufman & Broad shares held by them.

In addition, Financière Daunou 10 has also made a certain number of commitments in respect of Corporate governance at Kaufman & Broad SA (which already existed under the 2007 and 2009 agreements), and in particular: (i) to maintain a structure with a Board of Directors and to maintain the operational rules and powers of the Board and of the Chairman and Chief Executive Officer on the terms and conditions described in Section 3.1. of this document; and (ii) to maintain the operational rules of 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.

5.3.3.3. Pledges

The 18,984,125 Kaufman & Broad SA shares held by Financière Gaillon 8 (representing 87.95% of the Company's authorized capital) have been pledged to The Law Debenture Trust

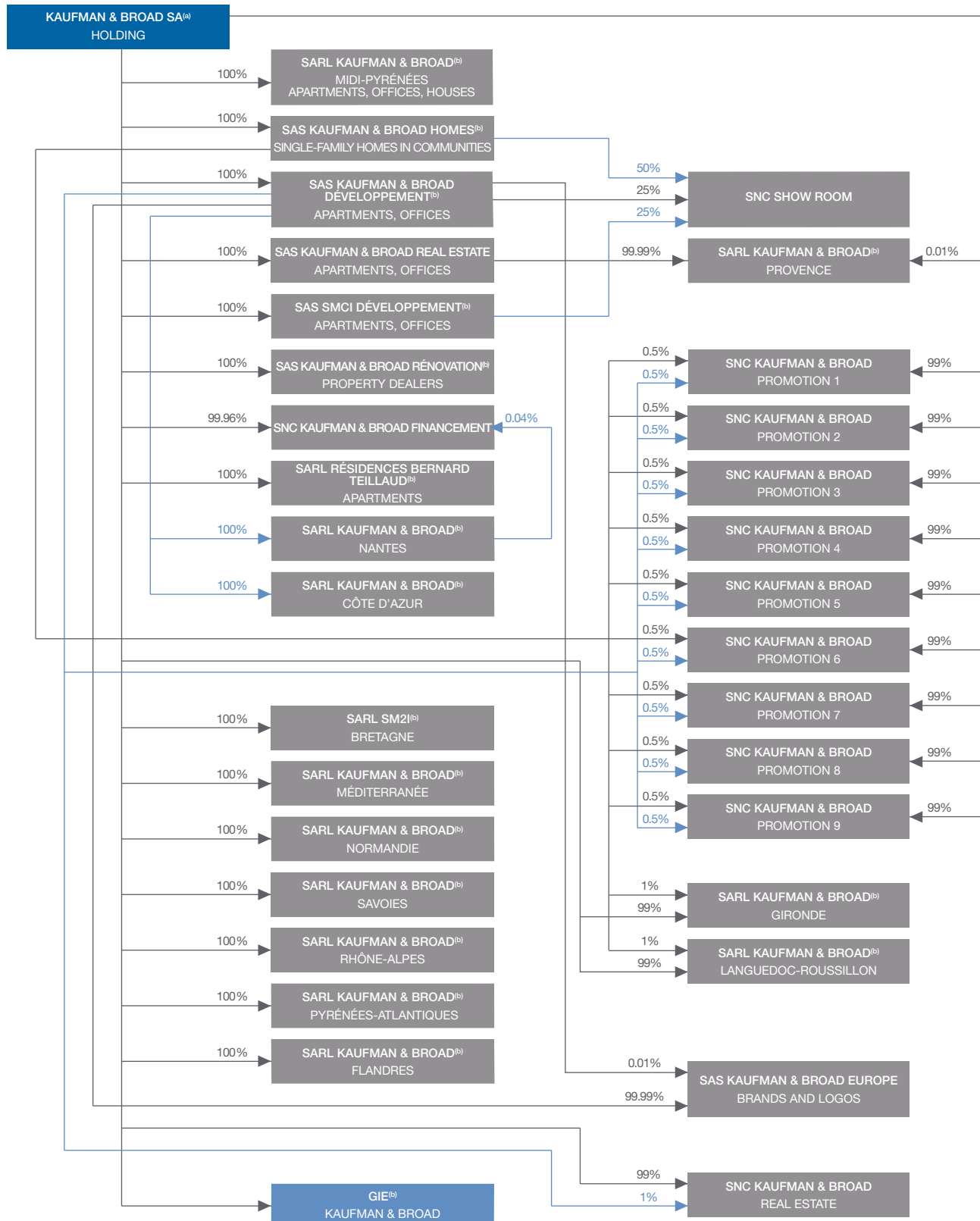
Corporation plc, as creditor of the parallel debt and as sureties agent, since March 31, 2014 and are intended to be maintained until repayment in full of the amounts due under the Indenture.

At November 30, 2014

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	Holders in relation to the high yield notes and the Mezzanine Facility	March 19, 2014	March 19, 2018	This pledge is intended to remain in place until the maturity of the bonded loan and of the Mezzanine Facility and of their ancillary facilities	18,984,125	87.95%
Total					18,984,125	87.95%

5.3.4. Organizational chart of the group

The following organization chart shows the companies owned by Kaufman & Broad SA at November 30, 2014, together with the interests in their capital and voting rights.



(a) All Kaufman & Broad group subsidiaries operate in France.
(b) Group operating companies affiliated with the GIEEIG.

5.3.4.1. Related party agreements

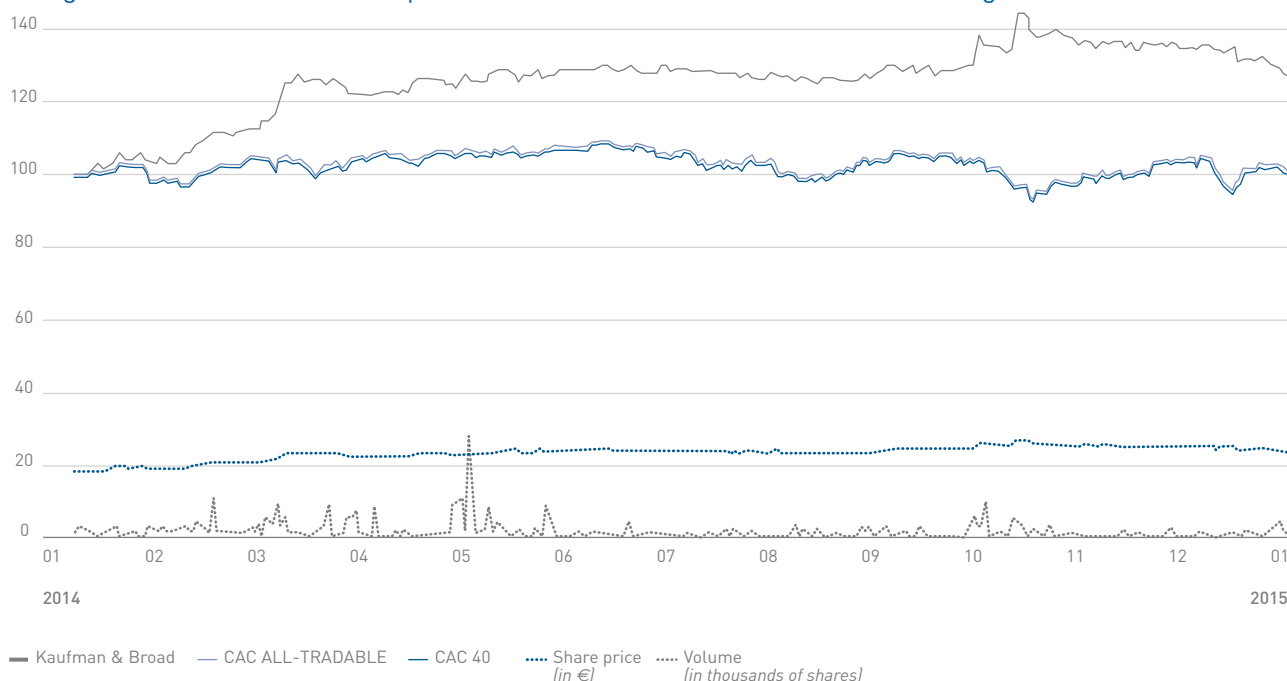
The characteristics and terms of application of the agreements concluded by the various group entities are described in Section 4.1.6. "Additional Information" Note 30 "Related Party Transactions".

5.4. Market for the Company's Shares

Since February 7, 2000, the ordinary shares of Kaufman & Broad SA have been listed for trading on the *Premier Marché* of the Paris stock exchange (now NYSE Euronext) under ISIN code FR0004007813. From January 1 to December 31, 2014, the CAC All-Tradable rose by 2.19%, while the shares of Kaufman & Broad SA rose by 28.70%.

2014	Average price	Aggregate trading volume (shares)	Average trading volume (shares)	Average volume capital	Aggregate trading volume (in €)
January	19.21	42,491	1,931	37,109	816,946
February	20.54	49,570	2,479	50,907	1,016,800
March	23.03	62,938	2,997	69,009	1,436,008
April	23.09	74,317	3,716	85,786	1,721,658
May	23.69	42,261	2,012	47,671	996,864
June	23.95	17,489	833	19,942	417,196
July	23.77	13,698	596	14,157	323,922
August	23.52	28,594	1,362	32,023	671,100
September	24.09	26,696	1,213	29,227	642,008
October	25.65	36,187	1,573	40,360	922,234
November	25.25	11,049	552	13,948	277,297
December	24.67	19,497	928	22,909	474,667

Change in Kaufman & Broad stock compared to the CAC 40 and CAC All-Tradable and the trading volume of Kaufman & Broad



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 €)
2010	-	-	-
2011	-	-	-
2012	Dividends	2.31	48,455,611.05
2013	-	-	-
2014	Interim dividend	0.68	14,063,049.22

(a) Gross dividends, including dividends payable on treasury stock.

After the refinancing of the Senior Facilities Agreement signed on January 23, 2009 (see Section 4.1.5. "Statement of Financial Position – Liabilities" Note 24.1. "Gross financial debt by type"), the Company was not able to distribute any dividends during the fiscal years ended November 30, 2009, 2010 and 2011. Starting in fiscal year 2012, it was only able to distribute dividends if its Debt Ratio was equal to or lower than 3. Since the refinancing of the Senior Facilities on March 19, 2014, the Company is able to distribute dividends.

The Ordinary Shareholders' Meeting of April 25, 2013 formally noted that the amount of €48,455,611.05 was paid on November 15, 2012

in respect of 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.

At its meeting on February 19, 2015 the Board of Directors resolved to recommend to the Shareholders' Meeting the payment of a dividend of €1.36 per share for fiscal year 2014. This dividend will be paid after deducting the interim dividend declared by the Board of Directors and paid on March 18, 2015 in the amount of €0.68 per share.

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. Markets

The housing market's social, economic and financial environment is expected to remain fragile in 2015. The imbalance between sustained demand linked to demographic growth and changes in cohabitation patterns and the shortfall in housing production, which has got worse in the last three years, will continue to affect the market. If interest rates remain attractive and the political approach supportive, the situation could improve, for both investors and homebuyers.

The Commercial Property market is expected to remain similar to what it was in 2014.

6.2. Strategies

In 2015, Kaufman & Broad will continue with the activities to which it is committed:

In Housing, Strengthening the offer by:

- consolidating the property portfolio;
- diversifying the distribution channels;
- launching commercial programs at a sustained pace;
- marketing new managed-accommodation programs.

In Commercial Property, intensifying development by:

- strengthening the property portfolio in Île-de-France and the region in terms of office space;
- launching market research for more than 60,000 sq.m of new office space programs in Île-de-France and the region;
- continuing market research for close to 100,000 sq.m and the marketing of more than 30,000 sq.m of logistics warehouse space.

In the area of finance: Optimizing economic equilibrium by:

- controlling costs;
- controlling the working capital requirement;
- controlling the commitments and associated risks.

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7 Person responsible for the Registration Document

7.1. Person responsible for the Registration Document

M. Nordine Hachemi

Chairman and Chief Executive Officer of Kaufman & Broad SA

7.2. Declaration by the Person Responsible for the Registration Document

I declare that I have made all reasonable enquiries to this effect and that the information contained in this Registration Document does, to the best of my knowledge, fairly represent the facts and contains no omission likely to affect its import.

I confirm that, to the best of 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 the changes in the business, the 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 on the completion of their work, in which they state that they have read the entire Registration Document and have verified the information on the financial position and the accounts contained therein.

The historic 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 2014, the Statutory Auditors have made the following comment in their report on the Consolidated Financial Statements, without qualifying their opinion: Attention is drawn to Note 5 to the Consolidated Financial Statements, which describes a change in the presentation of operating expenses in the consolidated income statement.

Neuilly-sur-Seine, March 30, 2015

Chairman and Chief Executive Officer

7.3. Person Responsible for Financial Communications and Investor Relations

Bruno Coche

Chief Financial 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 review of the half-year results. Estimated financial results are published quarterly, according to the following timetable:

- first-quarter results, April 15, 2015 after market close;
- first-half results, July 08, 2015 after market close;
- third-quarter results, September 30, 2015 after market close;
- annual results, in January 2016.

(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, presented in Sections 4.1., 4.2., 9.3.1., and 9.3.2. respectively 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;
- 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 2013 Registration Document, the French version of which was filed with the AMF on March 6, 2014 under reference No. D. 14-0121;
- the financial information presented in Sections 2.1., 2.2., and 1.1.2.1. of the 2013 Registration Document, the French version of which was filed with the AMF on March 6, 2014 under reference No. D. 14-0121;
- 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 Bruno Bizet, first appointed on April 9, 2009 until the Shareholders' Meeting convened to approve the financial statements for the fiscal year ended November 30, 2014.

DELOITTE & ASSOCIÉS

185 avenue Charles de Gaulle 92524 Neuilly-sur-Seine Cedex, represented by Joël Assayah, first appointed on April 9, 2009 until the Shareholders' Meeting convened to approve the financial statements for the fiscal year ended November 30, 2014.

8.2. Alternate Statutory Auditors

AUDITEX

1-2, place des Saisons 92037 Neuilly-sur-Seine Cedex, first appointed on April 9, 2009 until the Shareholders' Meeting convened 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 convened to approve the financial statements for the fiscal year ending November 30, 2014.

8.3. Fees paid by the group to the Statutory Auditors and the members of their networks

See Section 4.1.6. "Additional information" Note 31 "Fees paid by the group to the Statutory 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 16, 2015

Ordinary Shareholders' Meeting of April 16, 2015

Agenda:

Resolutions to be submitted to the Ordinary Shareholders' Meeting

- review and approval of the annual financial statements for fiscal year ended November 30, 2014;
- appropriation of earnings for the fiscal year ended November 30, 2014;
- review and approval of the Consolidated Financial Statements for the fiscal year ended November 30, 2014;
- review and approval of the 2014 Term & Revolving Facilities Agreement, a contract governed by Article L. 225-38 of the French Commercial Code;
- opinion on the compensation components due or allocated to Nordine Hachemi, Chairman and Chief Executive Officer, for the fiscal year ended November 30, 2014;
- ratification of the co-option of Caroline Puechoultres as director;
- note the end of Caroline Puechoultres' term of office as director; appointment of a director for a period of three years;
- note the end of Sophie Lombard's term of office as director; appointment of a director for a period of three years;
- note the end of Frédéric Stévenin's term of office as a director; appointment of a director for a period of three years;
- note the end of Sylvie Charles' term of office as a director; appointment of a director for a period of three years;
- note the end of Nordine Hachemi's term of office as a director; appointment of a director for a period of three years;
- note the appointment of Ernst & Young Audit, principal Statutory Auditor of the Company and Auditex, alternate Statutory Auditor of the Company; appointment of Statutory Auditors for a period of six fiscal years;
- note the appointment of Deloitte & Associés, principal Statutory Auditor of the Company and of B.E.A.S., alternate Statutory Auditor of the Company; appointment of Statutory Auditors for a period of six fiscal years;

- authority to be granted to the Board of Directors, for a period of eighteen months, in order for the Company to buy back its own stock at a maximum price of €40 per share, i.e., a total maximum price of €60,500,000.

Resolutions submitted to the Extraordinary Shareholders' Meeting

- authority to be granted to the Board of Directors, for a period of thirty-eight months, to allot new or existing bonus shares to employees and/or Corporate Officers of the Company and related entities, subject to performance conditions and limited to 300,000 equity 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 or securities giving rights to the Company's equity shares, without shareholders' pre-emptive subscription rights, to participants in the group's Company Savings Plan(s) for a maximum amount of 1% of the equity capital and at a price set in accordance with the French Labor Code.

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 annual financial statements for the fiscal year ended November 30, 2014)

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, approves the annual financial statements for the fiscal year ended November 30, 2014, which include the balance sheet, income statement and the notes to the financial statements 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 €32,510,444.43.

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, 2014.

SECOND RESOLUTION

(Appropriation of earnings for the fiscal year ended November 30, 2014)

The Shareholders' Meeting, after a reading of the Report of the Board of Directors, decided to allocate:

The profit for the fiscal year ended November 30, 2014 of	€32,510,444.43
Plus retained earnings in an amount equal to	€204,850,693.40
i.e., a total amount of	€237,361,137.83
Distribution of a dividend of	€29,355,134.88
The balance, i.e.	€208,006,002.95

will be allocated to retained earnings, which will increase from €204,850,693.40 to €208,006,002.95.

The dividends in respect of the Company's treasury shares at the dividend payment date shall be allocated to Retained Earnings.

The net dividend paid per share will be €1.36. It will be paid no later than August 31, 2015 less the interim dividend of €0.68 which was paid on March 18, 2015.

In the case of individuals who are tax residents in France, the full amount so distributed will be eligible for the reduction referred to in Article 158, 3-2° of the French General Tax Code. The dividend is paid after Social Security contributions are deducted.

Pursuant to Article 243 *bis* of the French General Tax Code, the Shareholders' Meeting takes note 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
2011	none	none
2012	€2.31/share	Yes
2013	none	none

THIRD RESOLUTION

(Review and approval of the Consolidated Financial Statements for the fiscal year ended November 30, 2014)

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, 2014, including the consolidated balance sheet and income statement, and the notes to the financial statements 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 €38,442,000.

FOURTH RESOLUTION

(Review and approval of the 2014 Term & Revolving Facilities Agreement contract governed by 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 2014 Term & Revolving Facilities Agreement signed on March 19, 2014.

FIFTH RESOLUTION

(Opinion on the compensation components due or allocated to Nordine Hachemi, Chairman and Chief Executive Officer, for the fiscal year ended November 30, 2014)

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, 2014 to Nordine Hachemi, Chairman and Chief Executive Officer as presented in the Registration Document (Section 4.4.1.2. of the Management Report "Compensation of Corporate Officers").

SIXTH RESOLUTION

(Ratification of the co-option of Caroline Puechoultres as director)

The Shareholders' Meeting, with the *quorum* and majority required for Ordinary Shareholders' Meetings, resolves to ratify the decision of the Board of Directors on September 30, 2014 to co-opt Caroline Puechoultres as director to replace Alain de Pouzilhac, who resigned, for the period remaining in his term of office, which is until the annual Ordinary Shareholders' Meeting convened to approve the financial statements for the fiscal year ended November 30, 2014.

SEVENTH RESOLUTION

(Note the end of Caroline Puechoultres' term of office as director; appointment of a director for a period of three years)

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 and noting that Caroline Puechoultres' term of office as a director is ending after this Shareholders' Meeting, has decided to reappoint Caroline Puechoultres as director for a period of three years until the close of the meeting convened to approve the financial statements for the fiscal year ending November 30, 2017.

Caroline Puechoultres has indicated in advance that she would accept her reappointment should it be approved.

EIGHTH RESOLUTION

(Note the end of Sophie Lombard's term of office as director; appointment of a director for a period of three years)

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 and noting that Sophie Lombard's term of office as a director is ending after this Shareholders' Meeting, has decided to reappoint Sophie Lombard as a director for a period of three years until the close of the meeting convened to approve the financial statements for the fiscal year ending November 30, 2017.

Sophie Lombard has indicated in advance that she would accept her reappointment should it be approved.

NINTH RESOLUTION

(Note the end of Frédéric Stévenin's term of office as a director; appointment of a director for a period of three years)

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 and noting that Frédéric Stévenin's term of office as a director is ending after this Shareholders' Meeting, has decided to reappoint Frédéric Stévenin as a director for a period of three years until the close of the meeting convened to approve the financial statements for the fiscal year ending November 30, 2017.

Frédéric Stévenin has indicated in advance that he would accept his reappointment should it be approved.

TENTH RESOLUTION

(Note the end of Sylvie Charles' term of office as a director; appointment of a director for a period of three years)

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 and noting that Sylvie Charles' term of office as a director is ending after this Shareholders' Meeting, has decided to reappoint Sylvie Charles as a director for a period of three years until the close of the meeting convened to approve the financial statements for the fiscal year ending November 30, 2017.

Sylvie Charles has indicated in advance that she would accept her reappointment should it be approved.

ELEVENTH RESOLUTION

(Note the end of Nordine Hachemi's term of office as a director; appointment of a director for a period of three years)

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 and noting that Nordine Hachemi's term of office as a director is ending after this Shareholders' Meeting, has decided to reappoint Nordine Hachemi as a director for a period of three years until the close of the meeting convened to approve the financial statements for the fiscal year ending November 30, 2017.

Nordine Hachemi has indicated in advance that he would accept his reappointment should it be approved.

TWELFTH RESOLUTION

(Note the appointment of Ernst & Young Audit, principal Statutory Auditor of the Company and of Auditex, alternate Statutory Auditor of the Company; appointment of Statutory Auditors for a period of six fiscal years)

The Shareholders' Meeting, voting with the *quorum* and majority required for Ordinary Shareholders' Meetings and after a reading of the Report of the Board of Directors:

- notes that the appointment of Ernst & Young Audit as principal Statutory Auditor expires at the close of this Shareholders' Meeting;
- resolves to reappoint Ernst & Young Audit, 1-2 Place des Saisons Paris La Défense 1 92037 Courbevoie (344 366 315 RCS Nanterre), France, principal Statutory Auditor, for a term of six (6) fiscal years until the close of the Ordinary Shareholders' Meeting convened to approve the financial statements for the fiscal year ending November 30, 2020;
- notes that the appointment of Auditex, as alternate Statutory Auditor, expires at the close of this Shareholders' Meeting;
- resolves to reappoint Auditex, 1-2 Place des Saisons Paris La Défense 1 92037 Courbevoie (377 652 938 RCS Nanterre), France, for a term of six (6) fiscal years until the close of the Ordinary Shareholders' Meeting convened to approve the financial statements for the fiscal year ending November 30, 2020.

Ernst & Young Audit and Auditex have advised, in a separate letter to the Chairman and Chief Executive Officer of the Company, that they would accept these appointments if this resolution were adopted.

THIRTEENTH RESOLUTION

(Note the appointment of Deloitte & Associés, principal Statutory Auditor of the Company and of B.E.A.S., alternate Statutory Auditor of the Company; appointment of Statutory Auditors for a period of six fiscal years)

The Shareholders' Meeting, voting with the *quorum* and majority required for Ordinary Shareholders' Meetings and after a reading of the Report of the Board of Directors:

- notes that the appointment of Deloitte & Associés as principal Statutory Auditor, expires at the close of this Shareholders' Meeting;
- resolves to reappoint Deloitte & Associés, 185, avenue Charles de Gaulle 92200 Neuilly-sur-Seine (572 028 041 RCS Nanterre), France, principal Statutory Auditor, for a term of six (6) fiscal years until the close of the Ordinary Shareholders' Meeting convened to approve the financial statements for the fiscal year ending November 30, 2020;
- notes that the appointment of B.E.A.S. as alternate Statutory Auditor expires at the close of this Shareholders' Meeting;
- resolves to reappoint B.E.A.S., 195, avenue Charles de Gaulle 92200 Neuilly-sur-Seine (315 172 445 RCS Nanterre), France, for a term of six (6) fiscal years until the close of the Ordinary Shareholders' Meeting convened to approve the financial statements for the fiscal year ending November 30, 2020.

Deloitte & Associés and B.E.A.S. have advised, in separate letters to the Chairman and Chief Executive Officer of the Company, that they would accept these appointment if this resolution were adopted.

FOURTEENTH RESOLUTION

(Authority to be granted to the Board of Directors, for a period of eighteen months, in order for the Company to buy back its own stock at a maximum price of €40 per share, i.e., a total maximum price of €60,500,000)

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 or transfer shares to employees and/or Corporate Officers (on the terms and in the manner provided by law), primarily under a stock purchase plan, a bonus share grant plan or a company savings plan;
- grant Company shares by a share transfer on exercising the rights attached to securities giving the right via redemption, conversion, exchange or presentation of a warrant, or in any other way, to the grant of shares of the Company;
- cancel the shares purchased, if any, in accordance with the 18th resolution of the Shareholders' Meeting of April 11, 2014.

The purchases, disposals or transfers described above may be carried out by any method in compliance with the law or applicable regulations, including by means of derivative financial instruments or block trades.

These transactions can take place at any time, including during a period of public offer or pre-offer for the Company's shares, in accordance with Article 231-40 of the General Regulations of the French *Autorité des Marchés Financiers* (AMF, the Financial Markets Regulator) or in a period of pre-offer, public offer or public exchange offer or mixed public purchase and exchange offer, initiated by the Company on the legal and regulatory terms and conditions in force and, in particular, in accordance with the provisions of Article 231-41 of the General Regulations of the AMF.

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 €60,500,000 and resolves that the maximum purchase price may not exceed €40 per share.

In the event of a capital increase through capitalization of additional paid-in capital, reserves, profits or in the form a bonus share allotment during the period of this authority, or in the event of a stock split or reverse stock split, the Shareholders' Meeting delegates to the Board of Directors the authority to adjust as necessary the maximum purchase price per share referred to above to take into account the impact of such transactions on the share value.

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;
- determine the terms and conditions in accordance with which provision will be made, if necessary, for the preservation of the rights of bearers of securities giving access to capital, stock subscription or purchase options, or rights to allot performance shares, in accordance with the legal, regulatory or contractual provisions;
- place all trading orders and enter into all agreements to comply in particular with record-keeping requirements on buy and sell transactions pursuant to 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 17th Resolution of the Shareholders' Meeting of April 11, 2014.

Resolutions submitted to the Extraordinary Shareholders' Meeting

FIFTEENTH RESOLUTION

(Authority to be granted to the Board of Directors, for a period of thirty-eight months, to allot new or existing bonus shares to employees and/or Corporate Officers of the Company and related entities, subject to performance conditions and limited to 300,000 equity shares, of which no more than 50,000 may be allotted 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 allocate, on one or more occasions, new or existing ordinary shares of the Company as bonus shares to employees or to executive Corporate Officers of the Company and its related French and to 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 may not exceed 300,000 Company shares where the number of shares granted to executive Corporate Officers may not 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.

Note, 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 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;
- resolves that this authority is in addition to the authority granted to the Board of Directors by the Shareholders'

Meeting on April 11, 2014 which, subject to a new resolution of the Extraordinary Shareholders' Meeting, shall remain in force until June 10, 2017, pursuant to which the Board of Directors may allocate the balance of the shares that are the subject of said authority.

The Shareholders' Meeting grants full authority to the Board of Directors, in compliance with the applicable laws and regulations and the provisions of this resolution, to allot bonus shares, and in particular to:

- determine in particular the performance conditions and, if necessary, the terms and conditions on which bonus shares may be allotted, and to 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 (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 the capital, if the allotment relates to new shares, through capitalization of the Company's reserves or share premiums if required at the time of the definitive allotment of shares to beneficiaries, to set the settlement date for new shares, and to amend the bylaws accordingly;
- complete all formalities and, generally, take all necessary and appropriate measures in connection therewith.

This authority shall not terminate the authority granted under the 19th resolution of the Shareholders' Meeting of April 11, 2014.

SIXTEENTH 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 equity shares, without shareholders' pre-emptive subscription rights, to participants in the group's Company Savings Plan(s) for a maximum amount of 1% of the equity 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. 3332-18 *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:

- delegates to the Board of Directors its authority to (i) to increase, on one or more 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 share 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, in whole or in part, substitute such capital increase with the transfer, under the same conditions, of already existing securities held by the Company;

- 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 share capital that may be granted as bonus shares to replace, in whole or in part, the discount under the conditions set forth in Article L. 3332-18 *et seq.* of the French Labor Code may not exceed 1% of the share capital. In addition to the shares issued there may be, if 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 share capital of the Company;
- 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% or 30%, depending on the securities subscribed, corresponding to assets for which the lock-up period is less than ten years or more than or equal to ten years; 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, legal and tax rules applicable outside France or elect to replace in full or in part such discount with the grant of bonus shares and/or securities giving rights to the share capital and that (ii) the issue price of the securities giving rights to the share capital will be set in accordance with the terms set forth in Article L. 3332-21 of the French Labor Code;
- 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's share capital, may be issued under this delegation and to waive all rights to shares and securities giving rights to the share capital that may be granted as bonus shares under this resolution;

- delegates all powers to the Board of Directors, with the option to further delegate this authority in compliance with the provisions of Law, to:

- resolve that the share must be subscribed 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 the employees of which will be eligible for the subscription offer,
- decide whether it will be necessary to allow the employees time to pay for their securities,
- set the terms and conditions for joining the group's PEE plan(s), by establishing or amending their regulations,
- set the opening and closing dates for subscriptions and the issue price of the securities,
- 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 share capital and define the type and amount of reserves, profits or premiums to be incorporated into the share capital,
- approve the number of new shares to be issued and the reduction rules applicable in the event of over-subscription,
- charge the cost of increasing the capital and of issuing other securities giving right to the share capital, to the additional paid-in capital amount relating to such increases and deduct from the share 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.

SEVENTEENTH RESOLUTION

(Powers)

The Shareholders' Meeting grants all powers to the bearer of any original, copy or extract hereof in order to complete any and all legal formalities in relation to the foregoing resolutions.

Terms and conditions of participation in the Ordinary Shareholders' Meeting of April 16, 2015

Shareholders may participate in this Meeting, whatever the number of shares owned, notwithstanding any Articles in the bylaws to the contrary.

The right to participate in the Shareholders' Meetings of companies is subject to registration of the securities in the books in the name of the shareholder, or of the 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 14, 2015, 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 will also be issued to shareholders who wishes to attend the Meeting and have not received their admission card at midnight, Paris time, on the third business day prior to the Meeting.

If shareholders do not attend this Meeting in person, they may choose one of the following three options:

- 1/ send a proxy form to the Company without specifying a proxy;
- 2/ give a proxy form to any individual or Corporate entity of his or her choosing in the manner set forth in Article L. 225-106 I of the French Commercial Code. Accordingly, shareholders must send a written and signed proxy form to Caceis Corporate Trust, indicating their first and last name and address, and the first and last name and address of their proxy, together with photocopies of the shareholder's and the proxy's identity document. Authorizations may be revoked in accordance with the same formal terms and conditions as those required to create the proxy;
- 3/ vote by post.

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, in accordance with the following terms and conditions:

- for holders of registered shares: by sending an e-mail to 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 identifying them with their financial intermediary for holders of administered registered shares, together with the first and last name of the proxy appointed or dismissed;
- for holders of bearer shares: by sending an e-mail to mentioning their first and last name, address and complete banking information together with the first and last name of

the proxy appointed or dismissed and 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 when the Shareholders' Meeting is held, or within the period mentioned in Article R. 225-80 of the French Commercial Code, will be counted. Furthermore, only notices to appoint or dismiss proxies sent to the e-mail address mentioned above will be counted. Any other request or notice for any other purpose will not be counted and/or processed.

A shareholder who has already cast a postal vote, sent a proxy form 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 the second business day prior to the Meeting, i.e. before April 14, 2015 at midnight Paris time, the Company will invalidate or modify accordingly, as applicable, the postal vote, proxy form, admission card or certificate of share ownership. For this purpose, the authorized account holding intermediary must notify the Company or its agent of the sale and deliver the required information.

No sale or any other transaction executed after midnight Paris time on the second 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.

Proxy and postal vote forms shall be sent automatically by post to shareholders holding directly registered or administered registered shares.

As required by Law, all the documents that must be delivered to this Shareholders' Meeting will be available to shareholders, within the legal time limits, at the head office of Kaufman & Broad SA and on the Company's website (<http://www.ketb.com>) or delivered to them on simple request sent to Caceis Corporate Trust.

Proxy and postal vote forms for owners of bearer shares shall be sent to them, at their request by registered mail with acknowledgement of 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, completed and signed postal vote forms 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 postal vote, sent a proxy form, 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 Company's head office by registered mail with acknowledgement of receipt or by electronic mail to no later than four business days before the Shareholders' Meeting is held. They must include a book registration certificate.

Requests to add items or proposed resolutions to the agenda made by shareholders who meet current legal requirements must be sent to the registered office, by registered mail with acknowledgement of receipt no later than twenty-five days before the Shareholders' Meeting is held.

Such requests must be accompanied by a book registration certificate proving possession or representation, by the person(s) making the request, of the number of shares 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, together with a brief statement explaining the reasons for including them.

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 in accordance with 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 shall 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

In accordance with the provisions of Article L. 225-37 of the French Commercial Code, the Chairman submits this report on the membership of the Board, on the application of the principle of equal representation of men and women within it, on 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, on any restrictions that may have been imposed by the Board of Directors on the powers of the Chief Executive Officer, on the provisions of the AFEP-MEDEF Corporate Governance Code that are not fully followed by the group, and on the principles and rules approved by the Board of Directors to define the compensation and all types of benefits granted to the Company's officers.

This report was prepared by the Chairman with the assistance of general management and the Finance Division, taking into consideration the opinions and recommendations of the *Association Française des Entreprises Privées* (AFEP), the *Mouvement des Entreprises de France* (MEDEF), the *Autorité des Marchés Financiers* (AMF) and the *Compagnie Nationale des Commissaires aux Comptes* (CNCC).

The Audit Committee of Kaufman & Broad reviewed this report at its meeting of February 17, 2015. The report was approved by the Board of Directors on February 19, 2015.

Part I: Corporate Governance and Functioning of the Board of Directors

The conditions on which the work of the Board of Directors and its Special Committees is prepared and organized are defined by Law, by the Company's bylaws, and by the provisions of the Board of Directors' Internal Rules and its 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>).

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 believes that its practices comply 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 and 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 respectively one half and one-third as at the date of this report. This is because the Company is controlled by a majority shareholder. However this must be qualified since the Audit Committee is chaired by an Independent Director.

18.1. No executive Corporate officer may be on the Compensation Committee whose majority must include Independent Directors. It must be chaired by an Independent Director.

However, the Compensation and Nominating Committee is not chaired by its new Independent Director because he only recently took office.

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 in relation to a change of control or strategy.

Nordine Hachemi's compensation for loss of office 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 *Cour de Cassation* (Supreme Court).

1.2. Provisions governing the membership of the Board of Directors

Kaufman & Broad SA is managed by a Board of Directors of at least 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 aged 70 or over who are individuals or permanent representatives of legal entities may not exceed three directors at the end of each annual Ordinary Shareholders' Meeting convened to approve the statutory financial statements and that no director may hold such office after reaching age 75. The Company's bylaws also provide that the Chairman of the Board of Directors must be an individual under age 70 and that no person may hold the office of Chief Executive Officer or Chief Operating Officer over age 70.

The Board's Internal Rules, detailed below, stipulate that the proportion of Independent Directors must be at least one third of the membership of the Board of Directors.

From among its members, the Board of Directors appoints a Chairman who must be an individual. The Chairman organizes and directs the work of the Board of Directors, about which he reports 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 ten directors.

1.3. Other provisions of the bylaws and Internal Rules

Article 16 of the bylaws of the Company also stipulates that the Board of Directors may, on recommendation of the Chairman, appoint a maximum of two non-voting members, chosen from among the shareholders. The duty of the non-voting members is to monitor, in particular, strict application of the bylaws. They are invited to meetings of the Board of Directors and participate in its deliberations in an advisory capacity; their absence however does not affect the validity of these discussions. They review the annual financial statements and submit their observations on them to the Ordinary Shareholders' Meeting when they deem it useful to do so.

On motion of the Chairman and Chief Executive Officer and with the agreement of the representatives of the majority shareholder, the Board of Directors, on September 30, 2014, appointed Thierry Lefèvre as non-voting member of the Company's Board for a three-year term. He performs his duties and responsibilities in accordance with Article 16 of the bylaws, without receiving director's fees.

The Board of Directors of the Company has set down Internal Rules. These were last updated on February 13, 2009 in order to specifically reflect a certain number of recommendations contained in the AFEP-MEDEF Corporate Governance Code.

These Internal Rules describe the operation, powers and duties of the Board of Directors and specify the Code of Ethics applicable to its members. They also include rules that apply to holding Board meetings by videoconference 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 release of the Company's 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 purchased thereafter, in registered form, and must inform the AMF of any transaction executed to subscribe to, purchase or sell, directly or through intermediaries, the Company's shares, or any financial futures instruments on these shares.

The Board of Directors' Internal Rules are available on the Kaufman & Broad website (<http://www.ketb.com>).

1.4. Responsibilities of the Board of Directors

The main role of the Board of Directors is to determine the Company's business strategy and oversee its implementation. With the exception of the powers directly vested in shareholders and subject to 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 items are subject to the Board's prior authorization or approval:

- 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 the assets of which are land and/or buildings for the development of real estate programs;
- any borrowings, other than credit facilities, bilateral lines of credit and authorized overdrafts;
- annual budget;
- medium-term business plan.

The Internal Rules also specify that, 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 important transaction outside the strategy announced by the Company is subject to prior approval of the Board. The scope of this prior approval covers not only external acquisitions or disposals, but also all significant investments in organic growth and internal Company restructuring.

The Board carries out the controls and checks that 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.

1.5. Responsibilities and powers of the Chairman and Chief Executive Officer and the Chief Operating Officers

The Chairman of the Board of Directors is responsible for the 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. The Chairman and Chief Executive Officer represents the Company with respect to third parties.

On February 20, 2014, the Board of Directors renewed for a term of one year the authorization granted to its Chairman and Chief Executive Officer, together with the right to subdelegate such authority, to issue on the Company's behalf any sureties, pledges or guarantees (including any performance bonds):

- in favor of the tax and customs authorities, without any limitation as to the term or amount;
- in favor of any other third party, without any limitation as to term and in a total amount not exceeding €2,200,000,000, including any amounts required for performance bonds.

On February 19, 2015, this authorization was renewed for one more year and for the same total amount by the Board of Directors.

On a recommendation submitted by the Chairman and Chief Executive Officer, the Board of Directors may appoint one or more Deputy Chief Executive Officers, provided that their number may not exceed five. They must be individuals. They do not have to be directors. In agreement with the Chairman and Chief Executive Officer, the Board determines the scope and term of the powers granted to Deputy Chief Executive Officers. The Company has no Deputy Chief Executive Officers.

At its meeting of January 24, 2014, the Board of Directors decided, having heard the report of the Compensation and Nominating Committee, to nominate Nordine Hachemi as Chairman of the Board to ensure the management of the Company, following the decision of Guy Nafilyan to terminate his office as 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 when the Chief Executive Officer is also Chairman of the Board of Directors.

1.6. Board of Directors' meetings and proceedings

The Board of Directors meets whenever the Company's interests so require, at least twice a year, either at the registered office or at any other place indicated in the notice of meeting.

The Chairman may convene meetings by any means, including orally. If the Board has not met for more than two months, 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 transact specific business.

Directors is provided with all the information required to perform their duties and may ask for any document he deem useful.

Board meetings are chaired by the Chairman or, in his/her absence, by a director designated for this purpose.

The Board may not validly deliberate unless at least half the directors are present. Decisions are made by a majority of the votes of members present and represented.

Directors who attend the meeting via videoconference or other telecommunications methods in the manner defined by current regulations are deemed present for the purposes of calculating the *quorum*. This provision does not apply to meetings of the Board of Directors where the agenda includes the approval of the annual financial statements, the Consolidated Financial Statements and the management report.

Pursuant to the Internal Rules, the Chairman may ask any director with conflict of interest, including potential conflicts, not to participate in the deliberations.

In fiscal year 2014, the Board of Directors met seven times (the attendance rate of directors at Board meetings was 85%)⁽¹⁾:

- on **January 24, 2014**, the Board of Directors met with nine members in attendance 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,
 - review of the Press release,
 - resignation of Guy Nafilyan from his office as director and Chairman of the Board of Directors,
 - amendment to Corporate governance concerning the performance of the duties of 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,

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

- review of management forecasts and of the report analyzing of these documents;
 - on **February 20, 2014**, the Board of Directors met with six members in attendance 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 general management for 2014,
 - amount of directors' fees – allocation for 2013,
 - review and approval of the statutory financial statements at November 30, 2013 and recommended appropriation of net profits 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 delegations of authority for reductions and increases in capital,
 - 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;
 - on **March 10, 2014**, the Board of Directors met with seven members in attendance and discussed the following agenda:
 - presentation and authorization of the Company's new financing under conditions precedent;
 - on **April 11, 2014**, the Board of Directors met with seven members in attendance and discussed the following agenda:
 - report of the Audit Committee,
 - 1st quarter 2014 business activities,
 - 1st quarter 2014 financial results,
 - presentation of the 2014 budget update,
 - bonus share plan;
 - on **April 14, 2014**, the Board of Directors met with seven members in attendance and discussed the following agenda:
 - defining the performance criteria for awarding bonus shares to executive Corporate Officers;
 - on **July 9, 2014**, the Board of Directors met with nine members in attendance and discussed the following agenda:
 - report of the Audit Committee: minutes of the meeting of July 8, 2014,
 - review and approval of the semi-annual Consolidated Financial Statements at May 31, 2014,
 - update III: presentation of 2014 Plan and trends for 2015,
 - report on the recruiting of an Independent Director and appointment of a non-voting member,
 - allocation of the shares acquired by the Company under the share buyback program;
 - on **September 30, 2014**, the Board of Directors met with ten members in attendance and discussed the following agenda:
 - report of the Audit Committee: minutes of the meeting of September 30, 2014,
 - appointment of a non-voting member to the Board,
 - proposed co-option of a new Independent Director,
 - presentation of the estimated consolidated financial data at August 31, 2014,
 - review and approval of the revised draft management documents for 2014 and the report analyzing those documents.
- Since November 30, 2014, the Board of Directors has met twice:
- on **January 21, 2015**, the Board of Directors met with nine members in attendance and discussed the following agenda:
 - report of the Audit Committee: Minutes of the meeting of January 21, 2015,
 - review of the estimated consolidated financial data at November 30, 2014,
 - approval of the 2015 budget, review and approval of the draft management documents and the report analyzing those documents,
 - proposal to pay an interim dividend for the fiscal year ended November 30, 2014,
 - marketing/communications presentation,
 - report of the Compensation and Nominating Committee – Minutes of the meeting of January 16, 2015,
 - compensation of Corporate Officers and general management for fiscal years 2014 and 2015,
 - amount of directors' fees: allocation for fiscal year 2014;

- on **February 19, 2015**, the Board of Directors met with seven members in attendance and discussed the following agenda:
 - report of the Audit Committee of February 17, 2015,
 - report of the Compensation and Nominating Committee of February 13, 2015,
 - review and approval of the statutory financial statements as at November 30, 2014 and recommended appropriation of the net profits for the fiscal year – payment of an interim dividend for the fiscal year ended November 30, 2014,
 - review and approval of Consolidated Financial Statements for the fiscal year ended November 30, 2014,
 - agreements and commitments referred to in Articles L. 225-38 and L. 225-42-1 of the French Commercial Code,
 - 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,
 - renewal of the authority to make pledges and guarantees,
 - record of the end of terms of office of directors – motion to ratify the co-option of a director – appointment of directors,
 - record of the end of the appointment of the Statutory Auditors, motion to renew the appointment of the Statutory Auditors for a six-year term,
 - renewal of the share buyback program,
 - notice of meeting of a Combined Ordinary and Extraordinary Shareholders' Meeting and setting the agenda and the text of the draft resolutions,
 - review of company policy regarding gender and pay equity,
 - marketing/communications presentation.

I.7. Compensation and benefits granted to Corporate Officers

The governance rules applicable to the determination of the compensation and benefits granted to the group's Corporate Officers are as follows:

I.7.1. Members of the administrative bodies

At the Combined Ordinary and Extraordinary Shareholders' Meeting of April 11, 2008, the total amount of directors' fees allocated annually to the Board of Directors was set at €260,000 as from the fiscal year ended November 30, 2008 until decided otherwise by the Shareholders' Meeting. This package corresponds to the maximum annual amount that the Board of Directors may, on the recommendation of the Compensation and Nominating Committee, freely distribute among the directors. It has not changed since 2008.

The Board's Internal Rules provide that directors' fees are allocated to the 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 total amount allocated to the Board is 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, the Board of Directors, in its meeting on January 21, 2015 resolved to pay directors' fees for 2014:

- in a maximum individual amount of €50,000 to the directors of the Company who are considered independent, namely, Sylvie Charles, Caroline Puechoutres, Alain de Pouzilhac, and Yves Galland;
- in 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 does not receive directors' fees.

The directors' fees allocated to each director for fiscal year 2014 take into account the attendance of each of them at meetings of Committees and 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. The Board periodically reviews the compensation and benefits to be granted to the Chairman and Chief Executive Officer for his/her office, particularly the variable component.

In accordance with the Company's decision to refer to the AFEF-MEDEF Code of Corporate Governance, the Board, with the assistance of the Compensation and Nominating Committee, now defines the rules for determining the compensation paid to executive Corporate Officers, ensuring in particular: that the rules are complete, understandable and transparent; that the compensation package is balanced; that the compensation is consistent, firstly, with the Company's market and the amount paid to other directors and employees of the group and, secondly, with market rates, with the performance of the director concerned and with the general interests of the Company; and that the compensation will attract, retain and/or motivate high-caliber directors.

Nordine Hachemi has been Chairman and Chief Executive Officer since January 24, 2014, and was previously Chief Executive Officer and Deputy Chairman of the Board of Directors as from July 1, 2013:

The Chairman and Chief Executive Officer receives, for fiscal year 2014, annual compensation comprising a fixed and a variable part. This profit sharing incentive is calculated:

- as to 70% of its amount: based on the following quantitative components, each subject to weighting: revenue, EBITDA, attributable net income, WCR, annual housing orders, number of Commitment Committees lots for fiscal year 2015;
- as to 30% of its amount: based on qualitative components.

The Chairman and Chief Executive Officer also receives, as a benefit in kind, special unemployment insurance coverage for general management 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 2014, the Company paid contributions to this plan of €24,031, 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 *Cour de Cassation* (the Supreme Court), the Company undertakes to pay to the Chairman and Chief Executive Officer compensation for loss of office to compensate him for the loss suffered by the loss of his position.

In the event of dismissal, compensation for loss of office will be equal to 12 months gross fixed and variable compensation for the fiscal year, 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 offer for the Company's shares.

Whatever the date and circumstances of the dismissal, such compensation shall be payable only if the Chairman and 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.

It follows from the foregoing that the compensation for dismissal that may be paid to the Chief Executive Officer 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).

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 in relation to his appointment to these positions were approved by the Shareholders' Meeting of April 11, 2014.

At its meeting of January 21, 2015, the Board of Directors endorsed, on the proposal of the Compensation and Nominating Committee, the components of his annual compensation for 2015.

The Chairman and Chief Executive Officer receives, for fiscal year 2015, annual compensation comprising a fixed and a variable part. This profit sharing incentive is calculated:

- as to 70% of its amount: based on the following quantitative components, each subject to weighting: revenue, EBITDA, attributable net income, WCR, annual housing orders, number of Commitment Committees lots for fiscal year 2015;

- as to 30% of its amount: based on qualitative components.

This variable compensation will be paid to Nordine Hachemi at the end of January 2016 provided that he is still with the Company at that date.

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 of the Board of Directors.

1.8. Independence of directors

The Board of Directors of the Company, which since July 10, 2007 has been majority controlled by Financière Gaillon 8, itself controlled by funds managed by PAI Partners, currently includes three out of ten Independent Directors, as defined in the AFEP-MEDEF Code of Corporate Governance of December 2008, as revised in June 2013, out of the ten Board members. The Independent Directors are Sylvie Charles, Caroline Puechoultres and Yves Galland.

At the time of each nomination or reappointment to the Board, the Board examines the applications having regard to 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 a relationship of any kind with the Company, its group or its management, which may 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 who 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 be classified as independent, and to prevent any risk of conflicts of interest between the director and the management, the Company or its group, are that he/she:

- is not an employee or executive Corporate officer of the Company, nor an employee or director of its parent company or of a company consolidated with it, and has not been one for the previous five years;
- is not an executive Corporate officer of a company of which the Company is, directly or indirectly, a director 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) is a director;
- is not one of the Company's or its group's major customers, suppliers, investment banks or commercial banks for which the Company or its group represents a material portion of its business.

The determination whether or not a relationship with the Company or its group is material must be made by the Board, and the criteria that led to such determination must be explained in the Registration Document, namely that he/she:

- does not have close family ties with an executive officer;
- has not been a Statutory Auditor of the Company within the previous five years;

- has not been a director of the Company for more than twelve years.

Please note that these are formal criteria; all directors are expected to exercise independent judgment and contribute equally to the Board's deliberations according to their skills and experience, however they are classified.

I.9. Operations of the Board of Directors

I.9.1. Membership

The Board of Directors of Kaufman & Broad SA currently has ten members and one non-voting member who provide it 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 nomination	Term of office expires ^(b)	Number of Company shares held
Chairman and Chief Executive Officer								
Nordine Hachemi	53			✓	2	06/25/2013	2014	22,806
Independent Directors								
Sylvie Charles	55		✓	✓	3	02/16/2012	2014	250
Yves Galland	73		✓	✓	10	04/28/2004	2015	600
Caroline Puechoultres	45	✓		✓		09/30/2014 ^(c)	2014	250
Other directors								
Alexandre Dejoie	32			✓	2	01/24/2014 ^(g)	2015	250
Sophie Lombard	45	✓	✓	✓	8	07/10/2007 ^(e)	2014	250
Joël Monribot	69			✓	1	04/11/2014 ^(d)	2016	22,097
Frédéric Stévenin	48	✓	✓	✓	8	07/10/2007	2014	250
Olivier de Vregille	59			✓	6	09/29/2009 ^(f)	2015	250
Lionel Zinsou	60			✓	6	09/29/2009	2015	250
Non-voting member								
Thierry Lefèvre	56			✓	1	09/30/2014 ^(h)	2017	1

(a) At February 19, 2015.

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

(c) The co-option and renewal of the term of office of Caroline Puechoultres will be submitted for approval to the Shareholders' Meeting of April 16, 2015.

(d) Joël Monribot was appointed by the Shareholders' Meeting of April 11, 2014.

(e) Note that Sophie Lombard was no longer a director of the Company from January 20, 2010 to September 29, 2010.

(f) Note that Olivier de Vregille was no longer a director of the Company from June 25, 2013 to September 27, 2013.

(g) The co-option of Alexandre Dejoie was ratified by the Shareholders' Meeting of April 11, 2014.

(h) Thierry Lefèvre was appointed non-voting member by the Board of Directors on September 30, 2014.

At the Shareholders' Meeting convened to approve the 2014 financial statements, the shareholders will be asked to renew the terms of office of Sylvie Charles, Caroline Puechoultres, Sophie Lombard, Nordine Hachemi, and Frédéric Stévenin for a term of three years, until the end of the Meeting convened to approve the financial statements for the fiscal year ending November 30, 2017.

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 assessment

In accordance with the AFEP-MEDEF Code of Corporate Governance and the provisions of the Board's Internal Rules, which may be consulted on the Company's website, the assessment of its operations by the Board of Directors must appear as an agenda item at least once a year. A formal assessment is conducted every three years, which may be conducted under the direction of an Independent Director with the help of an external consultant. The criteria for the assessment of the operation of the Board for fiscal year 2014 were delivered to the directors at the meeting of February 19, 2015. The outcome of the assessment will be presented at the meeting of April 16, 2015.

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 task is to conduct a preliminary review of the financial statements and the 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

The organization, powers and operations of the Audit Committee are described in a charter. At the Board meetings of January 22, 2009 and February 13, 2009, several clarifications were added to the Committee's charter, to take into account the AFEP-MEDEF Code of Corporate Governance and to prepare the Company for compliance with the Ordinance of December 8, 2008 regarding Audit Committees, which transposes European Directive 2006/43/EC of May 17, 2006 regarding Statutory Auditors. At the Board of Directors meeting on February 18, 2010, the charter was amended with respect to the minimum number of members that comprise the Audit Committee.

II.1.2. Membership 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 pointed out in the Audit Committee charter that said 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 nominated for an indefinite term and are chosen on the basis of:
 - their independence, and
 - their expertise in financial or accountancy matters; and, more specifically, that at least one member of the Committee shall be independent and have special expertise in financial and/or accountancy matters acquired during the course of his/her professional career,
 - it being noted, however, that their term of office will, in any event, expire at the same time as their term of office as a director and that,

- at the time of their nomination, Committee members will receive information regarding the specifics of the Company's accounting, financial and operating procedures.

Given the level of ownership 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, since two of the 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 term of office as directors: Sophie Lombard, nominated on September 29, 2010, Frédéric Stévenin, nominated on July 10, 2007, and two Independent Directors, Sylvie Charles, nominated on February 16, 2012 and Chairman as from September 30, 2014 and Yves Galland, nominated on July 10, 2007 and Chairman until September 30, 2014.

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 Company's Audit Committee stipulates that its members are required to make a prior review of the accounts and risks of the Company, specifically:

- reviewing the financial statements, the 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 reviewing the significant off-balance sheet commitments;
- monitoring of the accounting treatment of any significant transaction entered into by the Company;
- monitoring the internal data collection and control procedures and the quality and reliability of the Company's financial statements;
- controlling, before publication, all the accounting and financial documents, in particular in relation to the approval of the statutory financial statements and semi-annual and annual Consolidated Financial Statements;
- monitoring the Company's financing policy and the risks related thereto;
- monitoring the independence and objectivity rules for the Statutory Auditors.

Members of the Audit Committee must also review the effectiveness of the group's internal control and risk management procedures to allow the Board of Directors to assess their appropriateness.

Finally, it should be noted that the Audit Committee does not make any decisions; its role is restricted to preparing the information to be used by the Board at its meetings.

The Audit Committee has reviewed the recommendations of the AMF in July 2010 on implementing the conclusions of the Poupart Lafarge working group on the reference frameworks for risk management and internal control procedures.

II.1.4. Audit Committee Procedures

Meetings of the Audit Committee are validly held if at least half its 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 prior to 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's charter specifically stipulates that the Committee's review of the annual or semi-annual financial statements must be accompanied by a presentation by the Statutory Auditors highlighting the key points of the results and the accounting methods used, and a presentation by the Chief Financial Officer describing the Company's exposure to risks and significant off-balance sheet commitments.

The Chairman and Chief Executive Officer, the Chief Financial Officer, the director of Management Control, Reporting and Financial Information, the Director of Accounting and Consolidation, the Tax director, the Internal Audit Officer and the Statutory Auditors of the group are invited to attend Committee meetings.

The Committee may also interview the Company's employees or its Statutory Auditors without management present but management must be informed about this beforehand.

The Committee's Chairman submits a report of its work to the Board of Directors and 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 reports.

For its review of the financial statements, the Audit Committee receives the following documents:

- the draft financial statements and notes which will be submitted to the Board of Directors, as well as any information enabling verification of the method used to prepare the financial statements, of the permanence and appropriateness of the accounting methods and principles applied, and of the accounting standards and the scope of consolidation;
- a summary note prepared by the Statutory Auditors highlighting the key points of their work;

- a communication from the Chief Financial Officer describing the Company's main exposure to risks and significant off-balance sheet commitments;
- information enabling a detailed review of the significant transactions that took place 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's charter stipulates that:

- in order to enable the Committee to monitor the rules of independence and objectivity of the Statutory Auditors, throughout 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 Statutory Auditors' network by entities controlled by the Company or by the entity which controls the Company for the delivery of 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 the measures taken to protect against such risks. The Committee shall, in particular, ensure that the amount of fees paid by the Company and its group, or the percentage that these fees represent in the revenue of the audit firms and their networks, is not such as would affect the independence of the Statutory Auditors,
 - the duties of Statutory Auditor for the Company must exclude any other work not related to the legal audit, with the exception of other tasks previously authorized by the Committee.

II.1.5. Compensation paid to members of the Audit Committee

Refer to Section I.7.1 above: "Compensation paid to members of the administrative bodies".

II.1.6. Audit Committee Meetings

In fiscal year 2014, the Audit Committee met six times (the attendance rate of directors at Audit Committee meetings was 79%)⁽¹⁾:

- on **December 19, 2013**, the Audit Committee met with four members in attendance and discussed the following agenda:
 - update on the tax audit by Kaufman & Broad in relation to its subsidiary Kaufman & Broad Europe,

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

- update on the St-Tropez program,
- update on the procedures for recording orders;
- on **January 24, 2014**, the Audit Committee met with three members in attendance 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 in attendance 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 net profits 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 (D.C.I.) and 2013 annual summary,
 - other actions by the Internal Audit in 2013,
 - 2014 draft plan of the tests on the internal control system (D.C.I.);
- on **April 9, 2014**, the Audit Committee met with two members in attendance and discussed the following agenda:
 - review of estimated consolidated financial data for 1st quarter 2014 and review of the main potential risks identified to date,
 - review of the revised 2014 budget (Update II);
- on **July 8, 2014**, the Audit Committee met with three members in attendance and discussed the following agenda:
 - review of activity in the first half of 2014,
 - internal Audit: presentation of the results of the D.C.I. (Internal Control System) tests at end-Q1 2014 and specific points,
 - review of estimated financial data for 1st half of 2014 and review of the main potential risks identified to date,
 - update III: presentation of revised 2014 Plan and 2015 trends;
- on **September 30, 2014**, the Audit Committee met with four members in attendance and discussed the following agenda:
 - review of the estimated consolidated financial data at August 31, 2014,

- presentation of revised management forecasts for 2014 and the analysis of those documents,
- quarterly results of the D.C.I. (Internal Control System) tests and other audit-related items.

Since November 30, 2014, the Audit Committee has met twice:

- on **January 21, 2015**, the Audit Committee met with four members in attendance and discussed the following agenda:
 - review of the estimated consolidated financial data at November 30, 2014,
 - comments of the Statutory Auditors on the estimated consolidated financial data at November 30, 2014,
 - review of the 2015 budget;
- on **February 17, 2015**, the Audit Committee met with four members in attendance and discussed the following agenda:
 - review of the notes to the Consolidated Financial Statements at November 30, 2014,
 - review of the statutory financial statements at November 30, 2014 and recommended appropriation of net profits for the year,
 - proposal to pay an interim dividend for the fiscal year ended November 30, 2014,
 - comments of the Statutory Auditors on the statutory financial statements at November 30, 2014,
 - review of the Chairman's report on Corporate governance and internal control,
 - Internal audit:
 - results of the H2 2014 tests on the internal control system and 2014 annual summary,
 - other actions by the Internal Audit in 2014,
 - 2015 draft plan of the tests on the Internal Control System;
 - appointment of the Statutory Auditors – recommendations to be made,
 - presentation of the draft report of KPMG, an independent third party, on the Corporate, environmental and societal information included in the management report.

The Statutory Auditors attended all meetings of the Audit Committee and were also invited to make any observations they deemed useful to bring to the attention of the members of the Committee.

II.2. Compensation and Nominating Committee

II.2.1. Membership and tasks

The Board's Internal Rules provide that the Compensation and Nominating Committee is composed of three directors, and at least one of them must be independent. It is chaired by an Independent Director. To date, its members are: Sophie Lombard, appointed at the meeting of the Board of Directors of February 17, 2011; Caroline Puechoultres, Independent Director, appointed at the meeting of the Board of Directors of

September 30, 2014; and Frédéric Stévenin appointed on July 10, 2007 and Chairman as from April 11, 2014 to replace Alain de Pouzilhac, who resigned.

Given the level of ownership of the majority shareholder, and the recent entry into office of the new Independent Director, the Compensation and Nominating Committee is not composed of a majority of Independent Directors nor chaired by an Independent Director as recommended by the AFEP-MEDEF Code.

The task 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 I.7 above. In particular, it recommends the amounts of directors' fees and the individual compensation to be allocated to directors, based on their attendance at meetings of the Board and Board Committees. The Committee also provides the Board of Directors with advice on the general policy for granting stock purchase and/or subscription options and bonus shares, and on option plans prepared by the group's general management. The Committee also submits recommendations to the Board for the award of stock purchase or subscription option or bonus shares.

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

It does not make decisions. Its role is to prepare information to be used by the Board of Directors during its meetings when it considers matters within the Committee's jurisdiction.

The duties and operating procedures of the Committee are described 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 executive Corporate Officers and directors so that it is a position to advise the Board on succession in case 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 the administrative bodies".

II.2.3. Meetings of the Compensation and Nominating Committee

In fiscal year 2014, the Compensation and Nominating Committee met four times (the attendance rate of directors in the meetings of the Compensation and Nomination Committee was 100%) ⁽¹⁾:

- on **January 16, 2014**, the Compensation and Nominating Committee met with three members in attendance and discussed the following agenda:

- resignation of Guy Nafilyan from his office as a director and as Chairman of the Board of Directors,
- amendment of Corporate governance concerning with the performance of the duties of the Chairman of the Board of Directors and the 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, the amounts of variable compensation, criteria, weightings, objectives, and the calculation tables for variable pay,
- 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 in attendance and discussed the following agenda:

- compensation of Corporate Officers and management for fiscal year 2014, the amounts of variable compensation, criteria, weightings, objectives, and the calculation tables for variable pay,
- amount of directors' fees – recommended allocation for 2013,
- bonus share grants – proposal for 2014,
- proposed nomination of a new director;

- on **April 14, 2014**, the Compensation and Nominating Committee met, with three members in attendance, and discussed the following agenda:

- bonus share award to employees Corporate Officers: performance conditions;

- on **July 25, 2014**, the Compensation and Nominating Committee met with three members in attendance and discussed the following agenda:

- appointment of an Independent Director to replace Alain de Pouzilhac, who resigned.

Since November 30, 2014, the Compensation and Nominating Committee has met twice:

- on **January 16, 2015**, the Compensation and Nominating Committee met with three members in attendance and discussed the following agenda:

- variable compensation of Corporate Officers and management for fiscal year 2014,
- bonus share award of April 11, 2014 – Nordine Hachemi's performance criteria met for definitive award on April 11, 2016,

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

- compensation of Corporate Officers and management for 2015, amount of variable compensation, criteria, weightings, objectives, and the calculation tables for variable pay,
- bonus share award – proposal for 2015,
- bonus share award – new plan proposal for 2016-2017,
- amount of directors' fees – recommended allocation for 2014;
- on **February 13, 2015**, the Compensation and Nominating Committee met with three members in attendance and discussed the following agenda:
 - motion to renew the appointments of directors whose terms of office will end at the Ordinary Shareholders' Meeting convened to approve the financial statements for fiscal year 2014, i.e. the appointments of Nordine Hachemi, Sophie Lombard, Frédéric Stévenin, Sylvie Charles, and Caroline Puechoultres,
 - bonus share award – proposal for 2015,
 - bonus share award to employees Corporate Officers: performance conditions,
 - bonus share award – new plan proposal for 2016 -2017.

III. Information on factors that might have an impact in the event of a public offer

As provided for in Article L. 225-103-3 of the French Commercial Code, the information concerning factors that might have an impact in the event of a public offer is provided in the management report.

IV. Information concerning the specific terms and conditions for participation by shareholders in Shareholders' Meetings

Shareholders' meetings are convened, held and conducted in accordance with the terms and conditions stipulated by French law and in Articles 18 to 21 of the Company's bylaws. The Company's bylaws also provide for a double voting right for 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 participation by shareholders 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:

- firstly, to 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 Company's internal values, standards and rules;
- secondly, to verify that the accounting, financial and management information communicated internally or externally fairly reflects the Company's business and financial position.

The Internal Control System implemented by the group's general management provides 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 these risks. The mapping of risks by management is an essential step in identifying the risks to the Company.

One of the objectives of the Internal Control System is to prevent and control risks resulting from the Company's business activities as well as risks of error or fraud, in particular in the financial and accountancy 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 are being attained.

The scope of the Internal Control System described in this report covers all the group's entities and divisions, 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 environment

II.1. General Organization of Internal Control

II.1.1. General management

General management is directly responsible for the Internal Control System. It defines the focus of internal control policies and supervises the implementation of all its component parts. In this respect, it ensures that all group entities are equipped with effective control mechanisms. The Chief Financial Officer is more particularly responsible for supervising and maintaining the internal control measures concerned with accounting and financial information.

II.1.2. Overall organization of the group

The group's internal control is based on:

- an overall organization based on a dual structure, with regional operational divisions organized as profit centers located in France on the basis of the group's development strategy, and the central support departments that provide

control, expertise and advise for the operational divisions. These are, in particular:

- finance,
- institutional sales and development,
- human resources;
- a centralized overall organization: Kaufman & Broad centralizes in its head office the main decision-making and procedural functions, in particular all acquisitions of land subject to the prior approval of the Real Estate Committee and the Commitment Committee, the recognition of revenues and their associated costs, and the consolidation process. As a result, only limited autonomy for major decisions impacting internal controls and financial statements is given to the regional divisions;
- specific control bodies:
 - the Management Control, Reporting and Financial Information Department of Kaufman & Broad SA,
 - the Internal Audit Department of Kaufman & Broad SA,
 - the Audit Committee of Kaufman & Broad SA.

II.2. Management Structures

II.2.1. Management Committee

As from January 2015, Kaufman & Broad's Management Committee is composed of eight members: Nordine Hachemi, Chairman and Chief Executive Officer; Dominique Podesta, Senior Vice President Human Resources as from January 8, 2015; Bruno Coche, Senior Vice President and Chief Financial Officer; Christian Delapierre, Senior Vice President of Institutional Sales; William Truchy, Senior Vice President Major Regions; Jacques Rubio, Senior Vice President Southwest Region; David Laurent, Senior Vice President Commercial Property; and Bertrand Saugnac, Head of Communications and Marketing Director. In particular, the Management Committee analyzes actual and projected group earnings and, if necessary, defines any changes 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 Senior Vice President and Chief Financial Officer and the Senior Vice Presidents for the regions. The Committees review each project for which a land acquisition agreement is planned.

Real Estate Committee: familiarization with real estate projects starting with the initial concept

The Real Estate Committee confirms the strategic and financial suitability 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 for the transaction in question (particularly the commercial and technical aspects), to validate the updated budget that will be considered as the reference budget, to approve the type and structure of the transaction, to authorize the filing of the building permit application, and to authorize the launch of competitive bidding and the marketing and sales campaigns. These decisions constitute an authorization, granted to the Agency Director concerned, to continue the analysis of the real estate development project.

II.2.3. Quarterly Real Estate Operations Review Committee

Every quarter, prior to preparation of the financial statements, general 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. These performance reviews help determine what, if any, corrective measures need to be taken. It is the responsibility of the members of the Quarterly Real Estate Operations Review Committee to draft the budgets for real estate transactions that make it possible to prepare the group's Consolidated Financial Statements.

II.2.4. Monthly Meeting to review the Consolidated Financial Statements and related indicators

The Members of the Finance Division meet each month to analyze actual vs. projected consolidated financial data, sales activity, real estate acquisitions, and updates for projects in progress, newly launched projects and deliveries for the period.

II.3. Cross functional support services

The Finance Division groups together the departments listed below that provide support and control services to Kaufman & Broad SA and its subsidiaries.

II.3.1. Management Control, Reporting and Financial Information Department

The objectives of the group's management control, reporting and financial information department are to:

- direct the planning processes;
- implement the reporting, steering and decision-making tools adapted to the various levels of responsibility and the various types of operations;
- analyze the variances between achieved and targeted results, explaining the causes to the operational divisions and monitoring the implementation of the corresponding corrective measures;
- check the accuracy of the basic data and control the consistency of the data provided by the financial information systems;
- participate in the preparation of both internal and external operational and financial reporting;
- upgrade the management information systems;
- oversee the management control functions in the agencies;
- make sure, in collaboration with the contributing departments and the Accounting and Consolidation Department, that all the financial information and management documents are prepared, reliable and consistent.

II.3.2. Internal Audit Department

The primary duties of this department, which has reported to the Chief Financial Officer since 2011, are to ensure:

- the adequacy and effectiveness of the group's procedures in terms of its operations and environment;
- compliance with these procedures by the respective players.

The Finance Division or the Audit Committee may also request this department to carry out *ad hoc* audit tasks on specific matters.

The 2014 audit plans were prepared by the Head of Internal Audit, who submitted them to the Chairman and Chief Executive Officer and the Senior Vice President and Chief Financial Officer before delivering them to the Audit Committee. Prior analysis of risks and changes in the environment and structure of the group are the main threads that lead to the preparation of these plans. The Independent Audit Department conducts checks on compliance with the Internal Control System during preparation of the consolidated accounts and on operational compliance with it by the Agencies.

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 Division. This unit is also in charge of managing the group's insurance policies.

II.3.4. Accounting and Consolidation Department

The objectives of the Group Accounting and Consolidation Department are:

- the management, coordination and supervision of accounting services (general accounting, accounts payable, accounts receivable and calls for funds) and the Consolidation Department;
- preparation of the accounting and financial information documents in compliance with applicable formats and standards;
- monitoring of changes to accounting and consolidation systems;
- coordination with the Statutory Auditors and provision of the information required for the purposes of their audit work.

II.3.5. IT and Telecom Services Department

The definition, development and implementation of new IT solutions and the daily management of those tools are performed by the IT department based on the Company's needs.

II.3.6. Legal Department

The Legal Department is responsible for the following:

- support and advisory services to support and operational units in structuring real estate programs, in particular for the preparation of contracts and transactions;
- preparation of signature powers for the execution of the instruments required for the real estate programs managed at the Corporate offices and the signature powers allowing for the execution of the land acquisition deeds for the entire group;
- monitoring of group litigation and legal risks;
- implementation of the preventive summary procedure;
- legal oversight of all group structures.

II.3.7. Tax Department

All tax-related issues, whether Corporate or operational, are centrally handled by the Finance Division, within which a special division is dedicated to tax matters. Its duties are as follows:

- group tax oversight, including any developments relating to its business activity;
- approval and control of tax statements, as well as the calculation of any taxes owed;
- assistance and advice to the operational departments during 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 might be exposed 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 System, Kaufman & Broad's general 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 their occurrence. These six major risk categories, whether external, internal, or managerial, are as follows:

- operational risks;
- financial risks;
- risks relating to human resources;
- information system risks;
- litigation and tax risks;
- risks relating 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 headquarters level or at the level of Kaufman & Broad's regional agencies. They include all key components 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 contracts for sale (delegation of powers), sales launches, land acquisition (pre-sales marketing and conditions precedent) and the cost of the works;
- preparation of documents for competitive bidding;
- construction cost estimates;
- construction company selection;
- control of the financial soundness of contractor companies;
- the 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 identified risks are then assessed using a defined grid:

- either the risk is correctly assessed and controlled by the systems and procedures in place;
- or the systems and procedures are in the process of being implemented to reduce the level of risk;
- or areas for improvement are identified to ensure better control of the risk.

Exposure to risk is assessed on the basis of the processes in place and their degree of effectiveness as estimated by the group managers and senior executives interviewed.

Action plans are suggested to general management, which prioritizes and implements them.

The latest risk mapping update was carried out by a specialized firm in relation to the preparation of the 2010 audit plan. A new update will be conducted by a specialized firm in fiscal year 2015 for the purpose of preparing the 2016 audit plan.

II.5. Key components of the Internal Control System implemented by the group

II.5.1. Code of Ethics and Internal Regulations

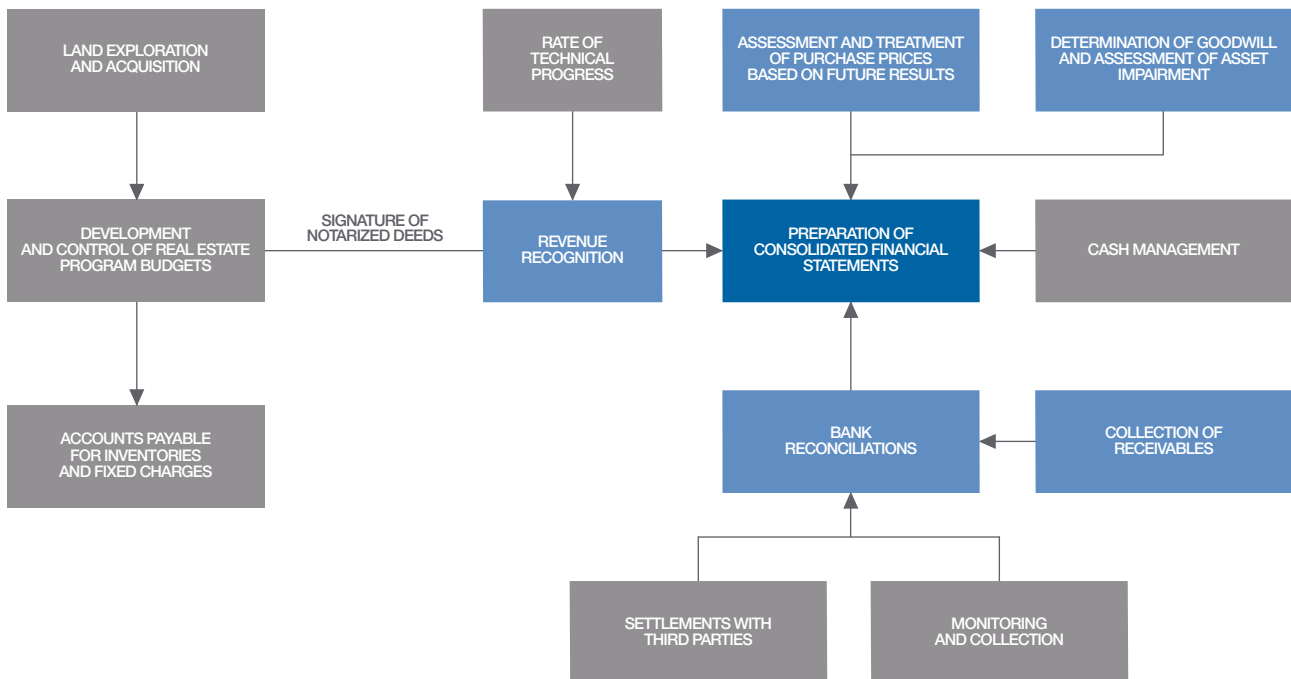
A Code of Ethics has been in effect within the group since 1997 and has been signed by all employees. Internal Regulations, distributed to all employees, supplement this Code and provide for penalties if there is any failure to fulfill the obligations stipulated in the Code. In 2004, these Internal Regulations 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 System was updated in fiscal year 2009 based on the work conducted as part of the risk mapping exercise and on interviews with existing internal control procedure managers. They cover 13 themes broken down into 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, procurement, management of project-end, annual performance reviews 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 the possible impact of their failure 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 Company's strategic, operational and financial risks.

II.5.3. Information systems

The IT Department of the Kaufman & Broad group reports to the Chief Financial Officer and is responsible (i) for overall coordination of the definition, development and implementation of new IT solutions; and (ii) for the day-to-day management of existing tools.

A set of procedures has been established for procurement and to manage services and maintenance contracts. For operational management, business procedures govern the development and operating functions. Furthermore, Kaufman & Broad has circulated an IT Security Charter listing the rules and responsibilities for the use of IT resources. This document is handed to employees joining the Company, who are required to sign and return it to Human Resources.

II.5.4. Budget and management control

Planning

The operational planning process is decentralized at the regional level. This process is organized by general management and the Finance Division, 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 Finance Division and general management between October and January. The Finance Division and the Vice Presidents of the regions consolidate and comment on the plans for each entity.

Weekly dashboard

The Management Control unit distributes a dashboard each week to general management 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 general management. The Management Control unit establishes the budget control process: approval of end-of-period income and expenses; measurement of variances from the Plan and/or from 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. Routine monthly reconciliation of budget returns against accountancy closings makes it possible to check the reliability of financial information.

Updates

Each quarter, every entity prepares an update to its annual budget. This exercise makes it possible to revise trends at year-end, but it is not a substitute for the initial Plan as the budget control benchmark. These updates are validated by general management and by the Finance Division 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, targets are, if necessary, redefined by general management.

Planning and Control of the Achievement of Signing Targets

The signing targets are approved by general 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 teams ensure that, at each closing, the principles of IAS 18 and IAS 11 are correctly applied and that the group's consolidated revenues and margin are recognized based on the percentage of completion.

From the technical point of view, the deed of sale of land and the proof of physical completion of projects are key controls in the group's Internal Control System, together 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 central support departments in charge of the Regions, prior to the quarterly closing of the accounts; they are also reviewed by the Finance Division at quarterly Committee meetings, which include the Regional management and group general management and the Finance Division and which 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 declarations systematically issued by notaries, for each individual sale.

II.5.6. Control of the Liquidity and Rate Risks

As part of the analysis of liquidity risk, which was specifically reviewed by general management and the Finance Division during the renegotiation of the terms of the banking loans (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 Finance Division.

With respect to interest rate risk, because the group's debt is indexed to floating rates, which exposes it to risks that could result in an increase in its indebtedness, the group set up hedging instruments that cover the payment of interest on the amounts due under the Senior Facility Agreement signed on March 19, 2014 (€150 million at November 30, 2014). The policy for the management of interest rate risk is set by general management on the recommendation of the Finance Division.

II.5.7. Legal and Operational Control

For legal purposes, the Kaufman & Broad SA Chairman and Chief Executive Officer and/or the Regional Vice Presidents are Corporate Officers of most of the group's subsidiaries, either in an individual capacity or as permanent representatives of a group company. In addition, as a general rule, each Agency Director is also co-Manager of the regional legal entity that he or she represents.

At the operational level, each Agency Director receives his annual performance objectives in writing every year from general management. The Agency Director and his or her team then take ownership of these objectives through active participation in the budget process.

At quarterly Committee meetings, Agency directors submit to the relevant Regional Vice President and the Finance Division, a percentage of completion report for all property programs under their management, along with an updated forecast assessment of each relevant transaction.

Each Agency Director is also required to submit to the Real Estate and Commitment Committees the details of any new program that he or she intends to develop.

Finally, Agency directors are responsible for compliance with the group's internal control procedures within their own entities.

III. Ongoing adjustment to the Internal Control System

Kaufman & Broad's current Internal Control System, as described above, is supplemented by an operational, legal and regulatory alert system designed to identify and anticipate changes in the business environment and in French or EU legislation or regulations that might impact the Company's financial position. This function is carried out by general management and by the various operational and functional departments that take all steps required to ensure that the interests of the Kaufman & Broad group 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 items:

- accounting and financial departments, which report to the Chief Financial Officer;
- accounting and financial information systems;
- procedures for preparing the financial statements;
- control of commitments;
- financial reporting;
- management control, reporting and financial information department.

I. Accounting and financial departments

The Finance Division is responsible for:

- defining group accounting rules and principles;
- definiting the tax policy;
- determining periodic deadlines for all departments concerned in the preparation of the financial statements;
- implementing the reporting tools and controlling for the reliability of the basic financial data collection and processing procedures;
- verifying the accuracy of the data and the consistency of the data produced by the financial information systems;
- controlling the preparation of the statutory and Consolidated Financial Statements in compliance with the accounting standards, principles, rules and methods in force within the group;
- analyzing the variances between the budgeted and actual results, and for applying and monitoring the corresponding corrective steps;
- verifying the availability of financial reporting in the format and lead times required by general management.

The Accounting and Consolidation Manager prepares the accounting and financial information 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. In general, the group distributes this accounting and financial information in the month after they have been prepared. The Accounting and Consolidation Manager is responsible for preparing them.

Therefore, on the basis of fixed deadlines, the Accounting and Consolidation Manager distributes instructions to all units concerned for the roll-out the closing process and indicates the information to be entered, the adjustments to be made and the applicable timetable.

The Management Control, Reporting and Financial Information Department reviews the consolidated income statement prepared by the Accounting and Consolidation Department and analyzes any material variances. It reports on them to the Accounting and Consolidation Manager.

The financial statements are prepared to IFRS standards under the responsibility of the Chief Financial Officer, and are then submitted to the Chairman and Chief Executive Officer. When semi-annual and annual consolidated financial accounts are closed, they are examined by the Audit Committee and the Board of Directors, and audited (in the case of the annual financial statements) or reviewed (in the case of the semi-annual financial statements) by the Statutory Auditors prior to their publication. The Board of Directors then approves these financial statements.

III. Procedures to control off-balance sheet commitments

The group's main off-balance sheet commitments consist of earnest deposits for building lots, and performance bonds.

III.1. Earnest deposits for building lots

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 of a guarantee extended to the seller (general case), or of a cash payment (specific and exceptional case). Two types of guarantee may be given to sellers: a personal and joint guarantee or a first 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 guarantees 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 first demand guarantor vis-à-vis the seller in the amount of the earned deposit.

These guarantees are monitored by the Cash Management and Financing Department, which asks insurance companies and financial institutions twice a year to provide it with a list of the relevant guarantees issued.

III.2. Performance Bonds

For sales before completion (VEFA), Kaufman & Broad issues, through a financial institution, a mutual guarantee institution or an insurance company, a Performance Bond for the construction that takes the form of a joint guarantee to the buyers, or an agreement to provide credit (Article R261-21 §a or §b of the French Construction and Housing Code). In consideration for these guarantees, the group generally grants the guarantor a mortgage commitment on the lots not sold and/or an undertaking not to sell any shares of the Company responsible for 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 notified 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

Because the group is subject to compliance with financial ratios ("financial covenants") resulting from the March 19, 2014 restructuring of its Senior Facility Agreement, the Finance Division prepares each quarter the calculation of its covenants on the basis of the financial data. These financial ratios are presented to the Audit Committee and the Board of Directors before they are presented to the representatives of the lending banks. Every six months, the group's Finance Division provides the Auditors, in advance, with the financial data necessary for calculation of 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 disclose financial information to the market. These persons include the Chief Financial Officer.

The following documents are produced by the Finance Division:

- 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 head office and in most of the group's regional agencies (depending on their contribution to the Consolidated Financial Statements) and the results are delivered 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 controlling 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 Kaufman & Broad's Audit Department is designed to ensure correct application of the financial and accounting information procedures and does not provide an assessment of the overall system for operational and financial risk control in relation to the group's operations. The above information is therefore not to be construed as an assessment of the adequacy and effectiveness of the Company's Internal Control System, because said information does not cover said system as a whole.

Neuilly-sur-Seine, February 19, 2015

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, 2014, on:

- the audit of the Consolidated Financial Statements of Kaufman & Broad SA, as attached to this report;
- the reasons for our assessment;
- 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. These standards require that we take the steps that enable us to be reasonably sure that the Consolidated Financial Statements are free from material misstatement. An audit consists in verifying, by sampling or other selection methods, the evidence supporting the amounts and the information set forth in the Consolidated Financial Statements. It also includes assessing the accounting principles adopted 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.

We certify that the Consolidated Financial Statements for the fiscal year present fairly and accurately in all material respects the assets, financial position and results of the group of entities and companies included in the consolidation in accordance with IFRS as adopted by the European Union.

Without calling into question the opinion expressed above, we draw your attention to Note 5 to the Consolidated Financial Statements which describes a change in the presentation of operating expenses in the consolidated income statement.

II. Basis of opinion

In accordance with Article L. 823-9 of the Commercial Code requiring us to explain the reasons for their opinion, we bring the following information to your attention:

- your group recognizes revenues and margins on sales before completion in accordance with the accounting methods described in Note 1.20 to the Consolidated Financial Statements. The revenues and profits recognized are therefore dependent on the estimates of the position at completion made by your group. Our audit included examining the reasonableness of the assumptions on which these estimates are based and of reviewing the calculations made by your group.
- at the end of each reporting period, your group performs an impairment test on goodwill and the Kaufman & Broad brand name in accordance with the terms and conditions described in Note 1.8 to the Consolidated Financial Statements. We have examined the procedures for the impairment test as well as the assumptions used by your group, 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, March 13, 2015

The Statutory Auditors

DELOITTE & ASSOCIÉS
Joël Assayah

ERNST & YOUNG Audit
Bruno Bizet

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, 2014, on:

- the audit of the annual financial statements of Kaufman & Broad SA, as attached to this report;
- the reasons for our opinion;
- the 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 take the steps that enable us to be reasonably sure that the annual financial statements are free from material misstatement. An audit consists in verifying, by sampling or other selection methods, the evidence supporting the amounts and the information set forth in the annual financial statements.

It also includes assessing the accounting principles adopted 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.

We certify that the annual financial statements present fairly and accurately in all material respects the results of operations for the fiscal year ended as well as the financial position and assets of the Company at year-end, 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 reasons for their opinion, we report the following information:

Note 4.2.1.2 to the financial statements describes the accounting rules and methods adopted, as well as the estimates and assumptions used for the valuation of the financial assets. We verified that the accounting methods adopted were appropriate and reviewed the assumptions used by the Company in the valuation of these assets. We verified that the notes to the financial statements provide an appropriate disclosure.

These assessments were made in connection with our audit of the annual financial statements, taken as a whole, and contributed to the forming of the audit opinion expressed in the first part of this report.

III. Specific verifications and information

We also performed the specific audits required by law, in accordance with the auditing standards applicable in France.

We have no matters to report concerning the fair presentation of the information given in the management report of the Board of Directors and the documents intended for shareholders on the financial position and its conformity 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 conformity with the financial statements or with the data used to prepare these statements and, if applicable, with the evidence 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 assurances that different 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, March 13, 2015

The Statutory Auditors

DELOITTE & ASSOCIÉS
Joël Assayah

ERNST & YOUNG Audit
Bruno Bizet

9.3.3. Auditors' Special Report on related party agreements and commitments

Meeting convened to approve the financial statements for the fiscal year ended November 30, 2014

To the Shareholders,

In our capacity as Statutory Auditors, we present below our report on related party agreements and undertakings.

It is our responsibility, on the basis of the information provided to us, to inform you about 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 on their usefulness or soundness nor to search for 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 relating to the performance, during the least fiscal year, 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* relating to this engagement. 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

In accordance with Article L. 225-40 of the French Commercial Code, we have been informed about the following agreement that was authorized in advance by the Board of Directors.

1. 2014 FACILITIES AGREEMENT

On March 19, 2014, Kaufman & Broad SA became a party to a Senior Facilities Agreement, governed by French law, by and between: your Company as Borrower; Kaufman & Broad Homes SAS and Kaufman & Broad Europe SAS as Guarantors; Crédit Agricole Corporate & Investment Bank, Natixis, BECM, Goldman Sachs International and Crédit Suisse International as Arrangers; Crédit Agricole Corporate & Investment Bank as Bookrunner, Global Coordinator, Agent and Security Agent; and a group of financial institutions listed under the terms of the Agreement and referred to as Original Lenders. Under the 2014 Facilities Agreement, the financial institutions named in said Agreement granted to your Company:

- (i) a term loan A in a maximum amount of €50 million;
- (ii) a term loan B in a maximum amount of €100 million; the A and B term loans had to be used to refinance the Senior Facilities Agreement signed on July 10, 2007, as amended by supplemental agreements;
- (iii) a new revolving credit facility in a maximum amount of €50 million, to finance the general operating requirements and the working capital requirement of the Kaufman & Broad group.

Signing this agreement has enabled your Company to refinance the existing facilities agreement and to finance its operations until March 2019.

Since it was deemed that the directors and shareholders concerned could be indirectly interested in the signing of the agreement based on their position with regard to Financière Gaillon 8 or the PAI Partners SAS fund, this agreement was subject to the related-party agreement procedure.

Directors and shareholders concerned: Sophie Lombard, Frédéric Stévenin, Lionel Zinsou, Olivier de Vregille, Alexandre Dejoie, Nordine Hachemi, and Financière Gaillon 8 SA (Company holding 87.95% of the share capital of Kaufman & Broad SA).

Agreements and undertakings already approved by the Shareholders' Meeting

Pursuant to Article R. 225-30 of the French Commercial Code, we have been informed that performance of the following agreements and undertakings, already approved by the Shareholders' Meeting in previous years, continued during the past fiscal year.

1. SUPPLEMENTAL AGREEMENTS TO THE 2007 SENIOR FACILITIES AGREEMENT

On July 10, 2007, your Company became a party, as borrower and joint guarantor, to a Senior Facilities Agreement by and between: Financière Gaillon 8 SAS as original borrower and guarantor; Calyon and Merrill Lynch International as mandated lead arrangers; Calyon as agent; and a group of financial institutions. Your Company is a party to the Senior Facilities Agreement as Borrower. Under the Senior Facilities Agreement, the banks named in the Agreement granted your Company (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 credit facility for up to of €175 million. The latter two facilities may also be utilized by certain of your Company's subsidiaries. Under the Senior Facilities Agreement, your Company granted a guarantee for all the commitments of the Company's subsidiaries under the Capex Acquisition Facility and under the Revolving Credit 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, previously amended by Supplemental Agreements 2 to 8 continued until March 19, 2014.

1.1. Supplemental Agreement No. 2

Supplemental Agreement No. 2 to the Senior Facilities Agreement, which was signed on January 23, 2009, provides for: the extension of the purpose of the line of credit from acquisitions to financing the working capital requirements for operations, in an amount reduced from €80 to €75 million for two years; an adjustment of the financial ratios applicable to the group; and the suspension of the payment of dividends for fiscal years 2009, 2010 and 2011. The group will be able to pay dividends as of 2014 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 signed on June 30, 2009, for the purpose of funding the technical or structural changes necessary to implement the arrangements 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 the information it may need in order to meet its obligations concerning financial documentation.

1.3. Supplemental Agreement No. 4

Supplemental Agreement No. 4 to the Senior Facilities Agreement, signed on November 25, 2009, provides for replacing the cash flow coverage ratio with minimum cash flows and early repayment by Kaufman & Broad SA of a portion of its debt under the Senior Facilities Agreement in January 2010 and, under certain conditions, at the August 31, 2010 period-end for the Consolidated Financial Statements, 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 provided for in the Senior Facilities Agreement in order to neutralize the effects of IAS 23 (Borrowing Costs) on these ratios and to offer the financing parties the same protection that 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 enables 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 must not to exceed €70 million and that repayments must be made on one or more occasions before February 29, 2012 at the latest.

1.6. Supplemental Agreement No. 7

Supplemental Agreement No. 7, signed on July 25, 2011, provides that the Company may cancel all or part of the commitments of certain lenders under the revolving line of credit who wished to withdraw from said line prior to its final maturity, in exchange for payment by these lenders of a cancellation fee in accordance with specific terms and conditions, in particular that the principal amount should not exceed €75 million and repayments could be made on one or more occasions, without limit, and must be made at the latest by February 29, 2014.

1.7. Supplemental Agreement No. 8

A supplemental agreement was signed on October 17, 2014 that provided for voluntary early repayment of €40 million of term lines B and C, which took place on October 31, 2014, and also provided for the partial cancellation of the RCF line, by €50 million to €52.9 million.

Directors and shareholders concerned, as at November 30, 2014: Frédéric Stévenin, Lionel Zinsou, Olivier de Vregille, Sophie Lombard, Financière Gaillon 8 SA (Company holding 87.95% of the share capital of Kaufman & Broad SA).

2. INTERCREDITOR AGREEMENT

On July 10, 2007, by signing an Accession Agreement authorized by the Board of Directors on the same day, Kaufman & Broad SA became party to an Intercreditor Agreement signed 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 is, in particular, to 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.

Directors and shareholders concerned at November 30, 2014: 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 March 19, 2014 your Company signed a new Senior Facilities Agreement to replace the existing Senior Facilities Agreement and repaid the balance of the loan taken out in 2007, totaling €219 million in principal, thereby terminating this related-party agreement.

Neuilly-sur-Seine and Paris-La Défense, March 13, 2015

The Statutory Auditors

DELOITTE & ASSOCIÉS
Joël Assayah

ERNST & YOUNG Audit
Bruno Bizet

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 your Company's Chairman in accordance with Article L. 225-37 of the French Commercial Code for the fiscal year ended November 30, 2014.

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.

It is our responsibility:

- to provide you with 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
- to certify that the report includes the other information required by Article L. 22537 of the French Commercial Code. It should be noted that it is not our responsibility to verify the accuracy of this other information.

We conducted our audit in accordance with the auditing standards applicable in France.

Information on Internal Control and Risk Management Procedures for the Preparation and Treatment of Accounting and Financial Information

Auditing standards require that we plan and perform the steps designed to assess the fairness of the information provided in the Chairman's Report regarding the internal control and risk management procedures for the preparation and treatment of accounting and financial information. The audit included:

- reading the internal control and risk management procedures for the preparation and treatment of the accounting and financial information on which the information presented in the Chairman's Report is based, and the existing documentation;
- understanding the work involved in the preparation of this information and of the existing documentation;
- determining whether any material weaknesses in internal control relating to the preparation and processing of accounting and financial information, which we may have 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. 22537 of the French Commercial Code.

Neuilly-sur-Seine and Paris-La Défense, March 13, 2015

The Statutory Auditors

DELOITTE & ASSOCIÉS
Joël Assayah

ERNST & YOUNG Audit
Bruno Bizet

9.4. Independent third-party report on the consolidated social, environmental and societal information included in the Management Report

To the Shareholders,

In our capacity as a third party independent of Kaufman & Broad SA accredited by COFRAC under number 3-1049⁽¹⁾, we hereby present our report on the consolidated social, environmental and societal data and disclosures for the fiscal year ended November 30, 2014, 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 Management Report available upon request at the Company’s registered office.

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 process that includes documented policies and procedures intended to ensure compliance with the rules of ethics, professional standards and applicable legal and regulatory texts.

Responsibility of the independent third party

Our responsibility, based on our work, is to:

- certify 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 therefore, in application of the third paragraph of Article R. 225-105 of the French Commercial Code (Certification 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 and in accordance with the Standards (Reasoned opinion on the fair presentation of CSR data and disclosures).

Our work was conducted by a team of five people between November 2013 and February 2014, for approximately fifteen days.

We performed the work described below in accordance with the standards of our profession applicable in France, the decree of May 13, 2013 defining the methods to be applied by third parties in the performance of their work and, for the reasoned opinion on the fair presentation of CSR data and disclosures, with international standard ISAE 3000⁽²⁾.

1. CERTIFICATION OF INCLUSION OF CSR DATA AND DISCLOSURES

On the basis of discussions with the managers of the departments concerned, we became aware of the explanatory guidelines for sustainable development, that depend on the social and environmental consequences of the Company’s business activities and its societal commitments and, if appropriate, on actions or programs that result therefrom.

We compared the CSR data and disclosures presented in the Management Report with the list set forth in Article R. 225-105-1 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, paragraph 3 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 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) The scope of which is available at www.cofrac.fr.

(2) SAE 3000 – Commitments Insurance other than audits or reviews of historical financial information.

2. REASONED OPINION ON THE FAIR PRESENTATION OF CSR DATA AND DISCLOSURES

Nature and scope of the work

We conducted four 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 appropriateness of the Standards with respect to their relevance, completeness, reliability, unbiased nature, its ease of understanding, by taking into consideration, as applicable, the good practices in this sector;
- verify that the gathering, compilation, processing and control procedures have been implemented with the aim of obtaining complete and consistent CSR data and disclosures and learning 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. Since all the information was available at the Company's head office, 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 for us to express a conclusion with moderate assurance. More extensive verification would be required in order to express assurance at a higher level. 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 totally 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, March 13, 2015

KPMG Audit
Department of KPMG SA

Anne Garans
*Climate Change Department
& Sustainable Development*

François Plat
Partner

(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.

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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 constituting the Annual Financial Report for fiscal year 2014 are incorporated by reference in this Registration Document in the Sections referred to in the table below.

Annual financial report	Section	Pages
Annual Financial Statements	4.2.	180
Consolidated Financial Statements	4.1.	136
Management Report (report of the Board of Directors)	10.7.	265
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.	77/38
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10.3. List of publications since December 2013

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	12/10/2013	Office building in the town center of Toulouse and new regional head office for Kaufman & Broad Grand Sud-Ouest	Internet
Press release	01/27/2014	2013 annual results	Internet
Press release	01/28/2014	Buyback of its own shares	Internet
Press release	03/19/2014	Kaufman & Broad refinances its senior debt – Financial and operational performance in 1 st quarter 2014 (estimated)	Internet
Press release	03/31/2014	Kaufman & Broad announces the successful refinancing of its syndicated bank debt (“Senior Debt”)	Internet
Press release	04/10/2014	First Quarter 2014 Results	Internet
Press release	04/11/2014	Ordinary and Extraordinary Shareholders’ Meeting	Internet
Press release	04/15/2014	Kaufman & Broad launches Silver Concept and offers two innovative senior housing solutions	Internet
Press release	04/16/2014	Ordinary and Extraordinary Shareholders’ Meeting of April 11, 2014	Internet
Press release	04/16/2014	Twelve-month fixed term lease signed with SNII	Internet
Press release	04/28/2014	Buyback of its own shares	Internet
Press release	07/10/2014	1 st half 2014 results	Internet
Press release	07/31/2014	Notice of availability of interim financial report	Internet
Press release	09/30/2014	Results for the first nine months of 2014	Internet
Press release	10/13/2014	Buyback of its own shares	Internet
Press release	11/26/2014	Kaufman & Broad sells to DTZ Investors the A9B office building, located in the Paris Rive Gauche Mixed Development Zone in a sale-before-completion transaction	Internet
Press release	01/05/2015	Kaufman & Broad acquires Concerto ED under a partnership with Affine	Internet
Press release	01/06/2015	Semi-annual assessment of Kaufman & Broad’s liquidity agreement	Internet
Press release	01/22/2015	Fiscal 2014 results	Internet
Press release	02/02/2015	Buyback of its own shares	Internet
Press release	02/19/2015	Payment of an interim dividend	Internet
Press release	03/10/2015	Kaufman & Broad wins the bid for a 70,000 sq.m building complex in the Paris Rive Gauche district	Internet
Presentation	01/28/2014	Presentation of the 2013 annual results	Internet
Presentation	04/11/2014	Presentation of the Combined Ordinary and Extraordinary Shareholders’ Meeting of April 11, 2014	Internet
Presentation	09/30/2014	Presentation of the Results for the first nine months of 2014	Internet
Presentation	01/23/2015	Presentation of the 2014 annual results	Internet
Report	03/06/2014	2013 Registration Document	Internet
Report	06/10/2014	2013 Sustainable Development Report	Internet
Report	07/31/2014	Half-year financial report at 5/31/2014	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

Type	Date	Subject	Medium
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	03/07/2014	Monthly information on the total number of shares and voting rights	Internet
Legal disclosure	03/10/2014	Disclosure of trading in own shares from March 3 to 7, 2014	Internet
Legal disclosure	03/17/2014	Disclosure of trading in own shares from March 10 to 14, 2014	Internet
Legal disclosure	03/24/2014	Disclosure of trading in own shares from March 17 to 21, 2014	Internet
Legal disclosure	03/31/2014	Disclosure of trading in own shares from March 24 to 28, 2014	Internet
Legal disclosure	04/07/2014	Disclosure of trading in own shares from March 31 to April 4, 2014	Internet
Legal disclosure	04/07/2014	Monthly information on the total number of shares and voting rights	Internet
Legal disclosure	04/11/2014	Description of the share buyback program	Internet
Legal disclosure	04/14/2014	Disclosure of trading in own shares from April 7 to 11, 2014	Internet
Legal disclosure	04/22/2014	Disclosure of trading in own shares from April 14 to 4/18/2014	Internet
Legal disclosure	04/28/2014	Disclosure of trading in own shares from April 21 to 4/25/2014	Internet
Legal disclosure	05/05/2014	Disclosure of trading in own shares from April 28 to 5/2/2014	Internet
Legal disclosure	05/07/2014	Monthly information on the total number of shares and voting rights	Internet
Legal disclosure	05/12/2014	Disclosure of trading in own shares from May 5 to 9, 2014	Internet
Legal disclosure	05/19/2014	Disclosure of trading in own shares from May 12 to 16, 2014	Internet
Legal disclosure	05/26/2014	Disclosure of trading in own shares from May 19 to 23, 2014	Internet
Legal disclosure	06/02/2014	Disclosure of trading in own shares from May 26 to 30, 2014	Internet
Legal disclosure	06/03/2014	Monthly information on the total number of shares and voting rights	Internet
Legal disclosure	06/10/2014	Disclosure of trading in own shares from June 2 to 6, 2014	Internet
Legal disclosure	06/16/2014	Disclosure of trading in own shares from June 9 to 13, 2014	Internet
Legal disclosure	06/23/2014	Disclosure of trading in own shares from June 16 to 20, 2014	Internet
Legal disclosure	06/30/2014	Disclosure of trading in own shares from June 23 to 27, 2014	Internet
Legal disclosure	07/02/2014	Semi-annual assessment of the Company's liquidity agreement	Internet
Legal disclosure	07/07/2014	Monthly information on the total number of shares and voting rights	Internet
Legal disclosure	07/07/2014	Disclosure of trading in own shares from June 30 to July 4, 2014	Internet
Legal disclosure	07/15/2014	Disclosure of trading in own shares from July 7 to 11, 2014	Internet
Legal disclosure	07/15/2014	2014 half-year results	Internet
Legal disclosure	07/21/2014	Disclosure of trading in own shares from July 14 to 18, 2014	Internet
Legal disclosure	07/28/2014	Disclosure of trading in own shares from July 21 to 25, 2014	Internet
Legal disclosure	08/05/2014	Disclosure of trading in own shares from July 28 to August 1, 2014	Internet
Legal disclosure	08/05/2014	Monthly information on the total number of shares and voting rights	Internet
Legal disclosure	08/12/2014	Disclosure of trading in own shares from August 4 to 8, 2014	Internet
Legal disclosure	08/18/2014	Disclosure of trading in own shares from August 11 to 15, 2014	Internet
Legal disclosure	08/25/2014	Disclosure of trading in own shares from August 18 to 22, 2014	Internet
Legal disclosure	09/01/2014	Disclosure of trading in own shares from August 25 to 29, 2014	Internet
Legal disclosure	09/05/2014	Monthly information on the total number of shares and voting rights	Internet
Legal disclosure	09/05/2014	Disclosure of trading in own shares from September 1 to 5, 2014	Internet
Legal disclosure	09/15/2014	Disclosure of trading in own shares from September 8 to 12, 2014	Internet
Legal disclosure	09/22/2014	Disclosure of trading in own shares from September 15 to 9/19/2014	Internet
Legal disclosure	09/29/2014	Disclosure of trading in own shares from September 22 to 9/26/2014	Internet
Legal disclosure	10/07/2014	Disclosure of trading in own shares from September 29 to 10/3/2014	Internet
Legal disclosure	10/07/2014	Monthly information on the total number of shares and voting rights	Internet
Legal disclosure	10/13/2014	Disclosure of trading in own shares from October 6 to 10, 2014	Internet
Legal disclosure	10/20/2014	Disclosure of trading in own shares from October 13 to 10/17/2014	Internet
Legal disclosure	10/27/2014	Disclosure of trading in own shares from October 20 to 10/24/2014	Internet
Legal disclosure	11/03/2014	Disclosure of trading in own shares from October 27 to 10/31/2014	Internet
Legal disclosure	11/04/2014	Monthly information on the total number of shares and voting rights	Internet
Legal disclosure	11/12/2014	Disclosure of trading in own shares from November 3 to 7, 2014	Internet
Legal disclosure	11/17/2014	Disclosure of trading in own shares from November 10 to 14, 2014	Internet
Legal disclosure	11/24/2014	Disclosure of trading in own shares from November 17 to 21, 2014	Internet
Legal disclosure	12/01/2014	Disclosure of trading in own shares from November 24 to 28, 2014	Internet
Legal disclosure	12/08/2014	Monthly information on the total number of shares and voting rights	Internet
Legal disclosure	12/09/2014	Disclosure of trading in own shares from December 1 to 5, 2014	Internet
Legal disclosure	12/10/2014	Declaration of transactions performed on Company securities	Internet
Legal disclosure	12/15/2014	Disclosure of trading in own shares from December 8 to 12, 2014	Internet
Legal disclosure	12/22/2014	Disclosure of trading in own shares from December 15 to 19, 2014	Internet
Legal disclosure	01/02/2015	Disclosure of trading in own shares from December 22 to 26, 2014	Internet
Legal disclosure	01/05/2015	Disclosure of trading in own shares from 12/29/2014 to 1/2/2015	Internet

Type	Date	Subject	Medium
Legal disclosure	01/06/2015	Monthly information on the total number of shares and voting rights	Internet
Legal disclosure	01/12/2015	Disclosure of trading in own shares from 1/5/2015 to 1/9/2015	Internet
Legal disclosure	01/19/2015	Disclosure of trading in own shares from January 12 to 16, 2015	Internet
Legal disclosure	01/26/2015	Disclosure of trading in own shares from January 19 to 23, 2015	Internet
Legal disclosure	02/02/2015	Disclosure of trading in own shares from January 26 to 30, 2015	Internet
Legal disclosure	02/03/2015	Monthly information on the total number of shares and voting rights	Internet
Legal disclosure	02/09/2015	Disclosure of trading in own shares from February 2 to 6, 2015	Internet
Legal disclosure	02/17/2015	Disclosure of trading in own shares from February 9 to 13, 2015	Internet
Legal disclosure	02/24/2015	Disclosure of trading in own shares from February 16 to 20, 2015	Internet
Legal disclosure	02/27/2015	Disclosure of trading in own shares from February 23 to 27, 2015	Internet
Legal disclosure	03/06/2015	Monthly information on the total number of shares and voting rights	Internet
Legal disclosure	03/09/2015	Disclosure of trading in own shares from March 2 to 6, 2015	Internet
Legal disclosure	03/16/2015	Disclosure of trading in own shares from March 9 to 13, 2015	Internet
Legal disclosure	03/23/2015	Disclosure of trading in own shares from March 16 to 20, 2015	Internet
Legal disclosure	03/30/2015	Disclosure of trading in own shares from March 23 to 27, 2015	Internet
<i>Journal officiel</i> (French official gazette)	03/27/2014	Notice of Annual Shareholders' Meeting	Les Echos
BALO	03/03/2014	Notice of Annual Shareholders' Meeting	BALO

10.4. Summary table of currently valid delegations concerning capital increases

Table and Report submitted by the Board of Directors concerning the grants of authority and powers relating to the capital increase

(in €)	Date of the ESM	Delegation's expiration date	Nominal amount of authorized capital increase	Capital increase(s) made in earlier years	Capital increase(s) made during the fiscal year	Capital increase(s) made during the fiscal year	Residual amount upon the preparation of this table
Authority to increase capital with preemptive rights ^{(1) (2)}	April 11, 2014	November 6, 2016	€1,400,000 (shares or securities) €160,000,000 (debt instruments)	None	None	None	€1,400,000 (shares or securities) €160,000,000 (debt instruments)
Authority to increase capital with preemptive rights ^{(1) (2) (3)}	April 11, 2014	November 6, 2016	€1,400,000 (shares or securities) €160,000,000 (debt instruments)	None	None	None	€1,400,000 (shares or securities) €160,000,000 (debt instruments)
Authority to increase the capital in consideration of capital contributions in kind ⁽¹⁾	April 11, 2014	November 6, 2016	10% of capital at April 11, 2014	None	None	None	10% of capital at April 11, 2014
Authority to increase the capital in the event of a company-initiated exchange offer ^{(1) (2)}	April 11, 2014	November 6, 2016	€1,400,000	None	None	None	€1,400,000
Authority to allot bonus shares (new or existing)	April 11, 2014	November 6, 2017	200,000 shares including 50,000 shares to Corporate Officers	None	None ⁽⁴⁾	None	€132,700

(1) The amount of the authority is deducted from the delegation of authority's maximum amount of €1,400,000 excluding adjustments for increases by issuing shares or securities and €160,000,000 for securities giving rights to capital or to a debt security as stipulated by the Combined Shareholders' Meeting of April 11, 2014.

(2) Over-allotment (greenshoe) option under the conditions in Article L. 225-135-1 of the French Commercial Code.

(3) In a public offer with preemptive rights with the possibility to set the issue price for up to 10% of the capital stock.

(4) Because of the allocation of treasury stock to fund these plans, these plans may not give rise to 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.

10.5. Board of Directors' Report on Share Awards

See Section 5.2.3.3. "Summary of bonus share awards".

10.6. Special Report on Stock Purchase and Subscription Options (Shareholders' Meeting of April 16, 2015)

See Section 5.2.3.4, "Special report on stock options presented to the Shareholders' Meeting of April 16, 2015".

10.7. Board of Directors' Report

1. Business and Financial Review Concerning Kaufman & Broad SA

See Section 5.1. "General Information Concerning the Company".

2. Business and Financial Review Concerning the Kaufman & Broad group

See 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. "Structure of capital and transactions carried out by the Company on treasury stock and factors likely to have an impact in the event of a public tender offer"

See Section 5.2. "General Information Concerning the Capital".

See Section 5.3. "Current share 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 securities transactions by Corporate Officers and related parties during the last fiscal year"

See Section 5.2.3.5.

Subsidiaries and equity affiliates

See Notes to the annual financial statements, Section 4.2.8., "Subsidiaries and equity affiliates".

"Summary table of currently valid delegations concerning capital increases "

See Section 10.4.

Five-year financial summary

See Section 4.2.9. "Five-year Financial Summary".

10.8. Glossary

Business lines

Competitive bidding	Is a process that enables a principal (the Project Owner) to choose the Company (the tenderer, which will be the supplier) that is the best able to provide works, supplies or services. The goal is to have multiple companies competing to provide a product or service.
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.
Bilan Carbone®	Bilan Carbone® is a carbone assessment tool for calculating greenhouse gas emissions whose objective is to allow, from readily available data, an assessment of direct and indirect emissions from business, economic or other activity.
Backlog (or order book)	Covers, for sales before completion (VEFA): ordered but undelivered housing units; sales for which a notarized deed of sale has not yet been signed ; and the incomplete portion of undelivered housing units for which a notarized deed of sale has been signed (for a 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. It is worth noting that there is an element of uncertainty relating to the transformation of backlog into income, particularly for orders that have not yet been officially notarized.
Take-up period	The inventory take-up period is the number of months required for the available housing units to be sold if sales are maintained at 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.
Eco-design	This term describes the commitment 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).
H&E	The H&E (Habitat & Environment) certification process, which was implemented starting in 2003 and developed in coordination with the work of the association HQE, aims to improve the environmental quality of housing construction. This certification is only for new building projects in the residential sector (apartment buildings and individual residences in communities). The seven H&E environmental themes are grouped into three categories and define the environmental quality objectives of buildings being considered in the certification process: organizational (Environmental management of the operation, Clean site), technical (Energy – Greenhouse gas reduction, Construction segment/choice of materials, Water and Comfort, Health) and information (Green actions).
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 (Relationship between buildings and their immediate environment, Integration of construction process and materials, Low-pollution construction); Eco-management (Energy management, Water management, Construction waste management, Upkeep and maintenance management); Comfort (Hygrothermal comfort, Acoustic comfort, Visual comfort, Olfactory comfort); Health (Health quality of spaces, Air health quality, Water health quality).
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 notarized sales deeds have been signed by (ii) the ratio between the group's property expenses and construction expenses incurred on said program and the total expense budget for said program.

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 coordinating and monitoring of the work of the various trades.
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.
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).
Property portfolio	All real estate for which a commitment (such as a contract for sale) 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.
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.
Housing 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.
Scellier (incentive)	The incentive contained in the Scellier Law (adopted as part of the 2008 Supplementary Budget Act 2008-1443 of December 30, 2008; since the 2013 Budget Act, new adjustments have been made to the incentive). Its purpose is to revive the rental housing stock and the attractiveness of investment in new property while limiting purchases to one dwelling per year. This incentive is meant to allow the purchaser of a new property for rent to enjoy a tax reduction, during the nine years of rental, and rents will be capped depending on the geographical area, not the tenants' financial resources.
Sub-contracting	Sub-contracting is a contract by which a company, the "principal," asks one or more other companies, called "sub-contractors" to perform part of its production process or make some of the components necessary to its production. The sub-contractors are companies that are authorized to do certain tasks. The sub-contractor is different from a supplier because it manufactures a product designed by the sponsor or, often, it does so together with the sponsor. The product is manufactured by the subcontractor exclusively on behalf of the sponsor and does not bear the sub-contractor's name. The sub-contractor is committed exclusively regarding compliance in execution in relation to the sponsor's directives.
Take-up rate (Te)	The take-up rate (Te) 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 Equivalent Housing Units is determined by comparing the surface area by type (business premises/retail space/offices) to the previously obtained average surface area of housing units.
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.
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.

Institutional, legal and financial

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.
AMF (<i>Autorité des Marchés Financiers</i>)	The <i>Autorité des Marchés Financiers</i> is an independent public body with legal personality and financial independence that has the mission of overseeing the protection of savings invested in financial instruments, investor information and the proper functioning of financial instrument markets
Net earnings per share	Attributable net income divided by the average number of shares during the fiscal year.
Working Capital Requirements (WCR)	WCR come from deferrals of cash flow: inflows and outflows relating to expenditures and operating revenues necessary for the design, production and marketing of real estate projects. The simplified expression of WCR that results is as follows: Current assets (inventory + receivables + other operating receivables + advances received + deferred income) minus current liabilities (accounts payable + tax and Social Security payables + other operating debt + prepaid expenses). The importance of WCR will depend in particular on the length of the operating cycle, the extent and duration of inventory of outstanding production, the number of projects initiated and payment terms granted by suppliers or timetable profiles granted to clients.
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.
Free cash flow	Free cash flow is equal to cash flow, less the net operating investments made during the year.

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.
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.
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.
Liquidity contract	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 unstable.
Internal control	The Company's system, defined and implemented on its responsibility that aims to ensure: a) compliance with Laws and regulations; b) the application of instructions and guidelines issued by General 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).
Senior Facility (lines of credit)	Banks use senior debt to fund LBO (Leveraged Buy Out) transactions. LBO financing by banks is risky in the bank credit market. It is characterized by a loan repayable by instalments and/or, most frequently, a "bullet repayment" type loan, but also by lines of credit to finance the working capital requirements and growth policies of companies 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 subordinated debt. It is therefore "secured debt".
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 factors: social equity, environmental protection and economic efficiency.
Dividend	The dividend is the share of annual net profit of the Company distributed to shareholders. Its amount is 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.
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 the 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.

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.
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.
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.
Gross debt or gross financial debt	Gross financial debt consists of long-term and short-term financial liabilities, financial hedging instrument liabilities relating to liabilities constituting gross financial debt and accrued interest on balance sheet items constituting gross financial debt.
Company mutual funds (FCPE)	Company mutual funds (FCPE) are investment funds dedicated to the employees of a company. They are managed by an undertaking for the collective investment in transferable securities of employee savings. Company mutual funds (FCPEs) are usually implemented through an incentive agreement or an employee savings plan (PEE, PEI, PERCO). They can be either ‘diversified’ mutual funds (composed of a basket of securities, with no security being overrepresented) or “employee shareholder” mutual funds (at least a third of which is comprised of Company shares). FCPE regulations must be approved by the AMF.
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 important greenhouse gases are water vapor (H ₂ O) and carbon dioxide (CO ₂). The other main 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.
Directors’ fees	directors’ fees consist of fees paid to the Chairmen and Chief Executive Officers, Deputy Chief Executive Officers and directors who are members of the Supervisory Boards of public companies. The Board of Directors sets at its discretion the amount due to each director, which is in principle shared by the directors based on attendance at these Committee meetings. The total amount is set by the shareholders at an Ordinary Shareholders’ Meeting.
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.

Corporate Officers	A Corporate officer is an individual appointed by an employer when the latter is a legal entity (association, company or corporation). For example: a manager for a French limited liability company (or single-shareholder limited liability company) or a Chairman and Chief Executive Officer (or a Chief Executive Officer) for a commercial company. Corporate Officers are the representatives of the employer in all actions relating to the management of the Company, for which he is responsible to the shareholders, the partners and the Law, and, more particularly, in the field of personnel management and employment law. In a <i>Société Anonyme</i> (joint stock Company) with a Board of Directors, the positions 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”.
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 it has issued. This value is set at the discretion of the shareholders.
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.
Debt ratio (or gearing)	It is the ratio of net debt (or net financial debt) to the consolidated shareholders' equity of the Company. It measures the risk of the Company's financial structure.
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.
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).

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