



CONTENTS

Group profile	2
Message from the Chairman	3
2017 highlights	4
Key figures and stock market DATA	6
Business activities	8
Employees	9
Corporate Governance	10
Main group locations	12

1 INFORMATION ABOUT THE GROUP'S BUSINESS ACTIVITIES 13

1.1. The Kaufman & Broad group	14
1.2. Risk factors	44
1.3. Insurance and risk management	59
1.4. Current litigation	63
1.5. Investment policy	63
1.6. Main subsidiaries and affiliates	65
1.7. Sustainable Development	65
Methods used in Kaufman & Broad's non-financial reporting for fiscal 2017	88

2 BUSINESS AND FINANCIAL REVIEW OF THE KAUFMAN & BROAD GROUP 91

2.1. Key Performance Indicators for the Kaufman & Broad group	92
2.2. Main Income Statement Items	106
2.3. Management Discussion and Analysis	107
2.4. Liquidity and capital resources	115
2.5. Events after the balance-sheet date	120

3 CORPORATE GOVERNANCE 121

3.1. Members of the Company's Administrative and Management Bodies	122
3.2. Management's interests	140
3.3. Incentive programs	146

4 ASSETS, FINANCIAL STATEMENT AND RESULTS AT NOVEMBER 30, 2017 153

4.1. Consolidated Financial Statements at November 30, 2017	154
4.2. Statutory Financial Statements at November 30, 2017	194
4.3. Subsidiaries and equity affiliates	208
4.4. Five-year financial summary	210

5 INFORMATION ABOUT THE GROUP'S BUSINESS ACTIVITIES 211

5.1. General information concerning the Company	212
5.2. General information concerning the capital	215
5.3. Current distribution of the capital and the voting rights	221
5.4. The market for the Company's shares	227
5.5. Dividends	228

6 RECENT DEVELOPMENTS AND OUTLOOK 229

6.1. Markets	230
6.2. Strategies	231
6.3. Group outlook for the fiscal year ending November 30, 2018	231
6.4. Group outlook over the medium term	232

7 PERSON RESPONSIBLE FOR THE REGISTRATION DOCUMENT 233

7.1. Person responsible for the Registration Document	234
7.2. Declaration by the person responsible for the Registration Document	234
7.3. Person responsible for financial communications and investor relations	235
7.4. Information incorporated by reference	235

8 PERSONS RESPONSIBLE FOR THE AUDIT OF THE FINANCIAL STATEMENTS 237

8.1. Statutory Auditors	238
8.2. Alternate Statutory Auditors	238
8.3. Fees paid by the group to the Statutory Auditors and members of their networks	238

9 ADDITIONAL INFORMATION 239

9.1. Agenda and Resolutions of the Shareholders' Meeting of May 3, 2018	240
9.2. Report of the Chairman of the Board of Directors	247
9.3. Reports of the Statutory Auditors	267
9.4. Report by the independent third party on the consolidated human resources, environmental and social information included in the management report	277
9.5. Report on the principles and criteria for determining, distributing and allocating fixed, variable and exceptional items making up the total compensation and benefits of any kind to executive corporate officers	279

10 APPENDIX 285

10.1. Cross-Reference Table	286
10.2. Cross-reference table for the Sustainable Development section	290
10.3. Annual financial report	292
10.4. List of publications since December 2016	292
10.5. Summary table of currently valid authorizations concerning capital increases	295
10.6. Board of Directors' report on Bonus Share Awards	297
10.7. Special report on Stock Purchase and Subscription Options (Shareholders' Meeting of May 3, 2018)	297
10.8. Board of Directors' report	298
10.9. Glossary	299

KAUFMAN Δ BROAD

2017 Registration Document

This document contains forward-looking statements regarding the growth prospects and strategies of the group. These forward-looking statements are sometimes identified by the use of future and conditional tenses, as well as by terms such as “consider”, “envisage”, “think”, “aim”, “expect”, “intend”, “should”, “anticipate”, “estimate”, “believe”, “wish”, or “might” or, if applicable, the negative form of such terms and other similar words, terminology and phrases. Such information has no historically factual basis and should not be interpreted as a guarantee of future performance. It is based on data, assumptions and estimates from which the group considers it reasonable to draw inferences. Such information is subject and susceptible to change or modification due to uncertainties in economic, financial, competitive, regulatory or tax environments. In addition, the materialization of one or more of the risks described in Section 1.2 “Risk Factors” in this Registration Document may have a material adverse effect on the business, financial stability and results and future operations of the group, as well as its ability to reach its objectives.

Investors are strongly encouraged to carefully consider the risk factors described in Section 1.2 “Risk Factors” of this Registration Document. The occurrence of all or any of these risks could have a negative effect on the group’s business, results of operations and financial condition. Moreover, other risks which may not yet have been identified or which the group may consider insignificant could have the same negative effect.

The content of this Registration Document does not constitute legal, tax or financial advice. Investors are encouraged to consult their own advisors regarding any legal, tax or financial aspects of their investment in the Company.

This Registration Document contains information about the group’s markets and its competitive position therein, including information about the size of such markets. In addition to estimates made by the group, the facts on which the group bases its statements are taken from studies and statistics of independent third parties and professional organizations and figures published by the group’s competitors, suppliers and customers. Certain information contained in this Registration Document is publicly available information which the Company considers to be reliable but which has not been verified by an independent expert. The Company can provide no guarantee that a third party using different methods to collect, analyze or calculate data about market sectors would obtain the same results. The Company makes no undertaking and provides no warranty as to the accuracy of this information. It is possible that such information will prove incorrect or is out of date. The group makes no undertaking to publish updates to such information, except in connection with any legal or regulatory obligation that may be applicable to it.

Certain figures (including figures expressed in thousands or millions) and percentages in this Registration Document have been rounded.

The totals presented in this Registration Document may differ slightly from those obtained by adding together the non-rounded values of those figures.

GROUP PROFILE



Since it was created in 1968, Kaufman & Broad has marketed or commissioned the construction of nearly 124,000 homes and 820,000 sq.m of office and business space in France.

Kaufman & Broad's growth over the past five decades is tied to a combination of several factors including, in the first place, the awareness of our brand, our ability to adapt to the ever-changing market trends, our national presence and lastly, a diverse offer.

Today, Kaufman & Broad is a leading brand in terms of reputation and image, synonymous with quality and innovation.

Our teams are known for their responsiveness and their ability to adapt to and anticipate market trends and the needs of our customers.

We have a presence in most of our country's territory with strong operations in our major cities.

We offer a broad range of products and associated services including both residential and business property suitable to meet our customers' aspirations and needs, be they individuals or institutions, first-time or second-time homebuyers or investors.

The results for 2017 are part of the strong momentum of growth that began in 2013. For the fourth consecutive year, all the indicators of sales activity and property development for the group improved. Our operational performance was achieved by generating a high level of profitability while preserving our strong financial structure, particularly through good control of the working capital requirement.

In fiscal year 2018, the new housing market is expected to maintain a high level of orders, in a market of an estimated 125,000 to 130,000 units, without the group anticipating a significant price increase. The market should continue to be supported by historically low interest rates despite the gradual rise that started a few months ago, and by demand that is expected to remain present, underpinned, among other things, by the four-year extension of the "PTZ" zero interest loan designed for first-time homebuyers and the Pinel incentive for investors. Lastly, the commercial property market is expected to remain dynamic for both offices and logistics activities.

MESSAGE FROM THE CHAIRMAN



In 2017, Kaufman & Broad successfully pursued its development in the areas defined in 2015:

- consolidation of our leading positions in the main metropolitan areas and strengthening of our territorial coverage;
- strengthening of our commercial property business in the regions, in both Offices and Logistics;
- pursuing our policy of quality and innovation in customer service;

This approach has resulted in a further homogenous increase in our land reserve (+14.2%), which represents three years of business, our housing unit orders in terms of value (+16.3%) and our backlog (+16.1%).

At the same time, our take-up period (5.1 months for Kaufman & Broad compared with over 9 months for the market) demonstrates our ability to offer new products appropriate for the needs and financing capacity of our customers.

Furthermore, our employees have increased their holding in the share capital to nearly 14% and are now our company's main shareholders, evidence of their commitment and their confidence in the future.

“2017: another year of growth in marketing performance and financial results”

In 2018, we believe that the new housing market, which is still driven by historically low interest rates (although these are expected to rise slightly), will stabilize with a range of 125,000 to 130,000 housing units.

Working on this assumption, and on the basis of stable interest rates, Kaufman & Broad estimates that its revenue growth for the full-year 2018 will be around 8% to 10%, with a gross margin rate remaining at around 19% and adjusted EBIT of 8.5% to 9%.

In this context, and with the reduction in our debt in 2017, we will propose a dividend of €2.10 at the next Shareholders' Meeting for fiscal year 2017, up 13.5% compared with 2016.

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

Nordine Hachemi

Chairman and Chief Executive Officer

2017 HIGHLIGHTS



2017 was another year of growth in the group's marketing and financial performance. The year was also marked by several noteworthy events relating to the share capital and our stock.

Kaufman & Broad joined the MSCI Global Small Cap Index in June 2017. It highlights and supports the growing liquidity and attractiveness of Kaufman & Broad securities for investors. In addition, the capital increase of last November resulting from the offer reserved for employees increased the percentage of the share capital held by employees to nearly 14%. By strengthening their position as Kaufman & Broad SA's main shareholder, our employees have demonstrated their commitment and their confidence in the group.

+12.3%
Revenues €1,390 million

Sale of part of PAI Partners' equity interest in Kaufman & Broad SA

In early 2016, PAI Partners announced its intention of reducing its holding in the share capital of Kaufman & Broad, in which the investment company had a stake of 88.64% through the companies Financière Gaillon 8 and Financière Daunou 10. At November 30, 2016, Financière Gaillon 8 held a 35.76% stake in Kaufman & Broad SA's share capital and 55.61% of the voting rights, and the free float amounted to 48.16% of Kaufman & Broad SA's share capital. In December 2016, Financière Gaillon 8 sold 62,800 Kaufman & Broad SA shares for €2 million to Artimus Participations, and in February 2017 sold 3,700,000 Kaufman & Broad SA shares representing 17.76% of Kaufman & Broad SA share capital via an accelerated private placement for €133 million. As a result of these sales, Financière Gaillon 8 held 3,688,585 shares in Kaufman & Broad SA representing 17.70% of Kaufman & Broad SA's share capital. Other disposals subsequently took place. On November 30, 2017, PAI Partners therefore no longer held any shares or voting rights in Kaufman & Broad SA.

Payment in shares of the dividend for the fiscal year ended November 30, 2016.

The Shareholders' Meeting of Kaufman & Broad SA, at its meeting of May 11, 2017, resolved to propose to shareholders the option of payment in shares of the dividend for the fiscal year ended November 30, 2016. The issue price of these new shares has been set at €30.13, corresponding to 90% of the average listed price of Kaufman & Broad stocks on Euronext Paris in the 20 trading sessions preceding the date of the aforementioned Shareholders' Meeting, minus the net amount of the dividend of €1.85 per share, rounded up to the nearest euro cent. For the payment of the dividend in shares, 947,146 new shares were issued, representing 4.55% of the share capital and 4.57% of the voting rights of Kaufman & Broad SA on the basis of the share capital and voting rights at May 31, 2017. The settlement and delivery of the shares and their admission to trading on the Euronext Paris regulated market took place on June 2, 2017.

On May 31, 2017, in order to maintain unchanged the number of shares on a fully diluted basis, Kaufman & Broad canceled 947,136 treasury shares. The impact of this cancellation of €29.9 million was charged to "Other reserves". The authorized capital remained unchanged after this operation.

The total cash dividend paid to shareholders not opting for payment in shares, and the balance paid to shareholders opting for payment of the dividend in shares, was €7.6 million and was paid on June 2, 2017.

“By strengthening their position as Kaufman & Broad SA's main shareholder, our employees have demonstrated their commitment and their confidence.”

+12.6%
9,027 housing units ordered

€59.1 million
Attributable net income

Kaufman & Broad joins the MSCI Global Small Cap Index

Kaufman & Broad announced that it would join the MSCI Global Small Cap Index with effect from June 1, 2017. This highlights and supports the growing liquidity and attractiveness of Kaufman & Broad securities for investors.

€33.1 million
Net financial debt

“KB ACTIONS 2017” capital increase reserved for employees of Kaufman & Broad

On September 21, 2017, Kaufman & Broad SA announced the launch of its “KB Actions 2017” leveraged share ownership offer with investment guarantee, reserved for employees of the group subscribing to the savings plan. On November 30, 2017, Kaufman & Broad SA recorded an increase in its capital resulting from subscriptions to the KB Actions 2017 offer.

The offer was very successful, with 65.4% of eligible employees signing up. A total number of 236,496 shares were thus subscribed through the KB Actions 2017 FCPE for €7,357,390.56.

The capital increase resulting from the offer increased the portion of the share capital held by the group's employees via various ownership mechanisms as of November 30, 2017 to nearly 14% (including the shares

+14.2%
Increase in property portfolio

+19.4%
Gross margin rate

held by the KB Actions 2017 FCPE and the Kaufman & Broad Actionnariat FCPE proposed under the savings plan, shares from bonus share plans and shares held in the company Artimus Participations).

The 236,496 new shares issued pursuant to the offer are common stocks, fully equivalent to the existing shares and with current rights.

At November 30, 2017, Kaufman & Broad's authorized capital was €5,479,119.10, divided into 21,073,535 common stocks with a nominal value of €0.26 each. The weighted average number of common stocks outstanding totaled 19,938,096 shares at November 30, 2017, excluding treasury shares, compared with 19,621,425 shares excluding treasury shares at November 30, 2016.

2018 calendar

April 11, 2018

Publication of first quarter 2018 results
(after market close)

May 3, 2018

Shareholders' Meeting

July 11, 2018

Publication of first half 2018 results
(after market close)

July 12, 2018

Presentation of first half 2018 results

September 28, 2018

Publication of third quarter 2018 results
(after market close)

October 1, 2018

Presentation of third quarter 2018 results
(conference call)

(This schedule is subject to change)

KEY FIGURES AND STOCK MARKET DATA



Stock market data

High:
€40.80

Low:
€33.20

Last traded price
on December 31, 2017:
€39.63

Number of shares
at December 31, 2017:
21,073,535

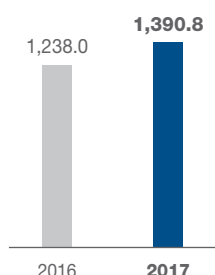
Market capitalization
at December 31, 2017:
€835,144,192.05

Average daily trading volume
(January 1
to December 31, 2017):
58,276

Stock data

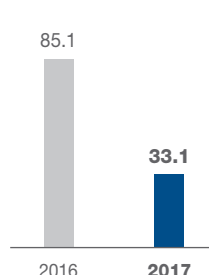
Listing market – NYSE Euronext
Compartment B Mid-caps
CAC 40
and CAC ALL TRADABLE indexes
ISIN code FR 0004007813

REVENUES (in € millions)



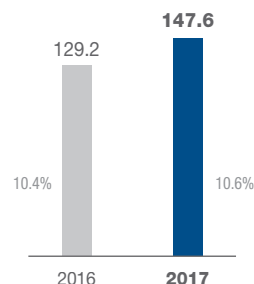
Revenues increased by 12.3% to €1,390.8 million, compared with €1,238.0 million in 2016.

NET FINANCIAL DEBT (in € millions)



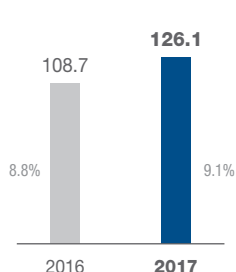
At November 30, 2017, **net financial debt** was €33.1 million compared with net debt of €85.1 million at November 30, 2016.

WORKING CAPITAL REQUIREMENT (in € millions and as a percentage of revenues)



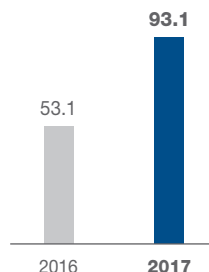
The **Operating Working Capital Requirement** (excluding current taxes), was €147.6 million at November 30, 2017, compared with €129.2 million at November 30, 2016, i.e. an increase of €18.4 million.

ADJUSTED EBIT (in € millions) (as a percentage of revenues)



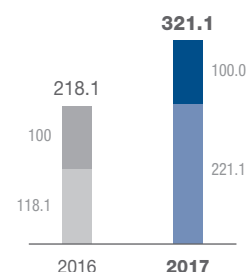
Adjusted EBIT increased by 16.1% compared with November 30, 2016. It came in at €126.1 million, with current operating income of €118.0 million and borrowing costs of €8.2 million.

AVAILABLE CASH FLOW (in € millions)



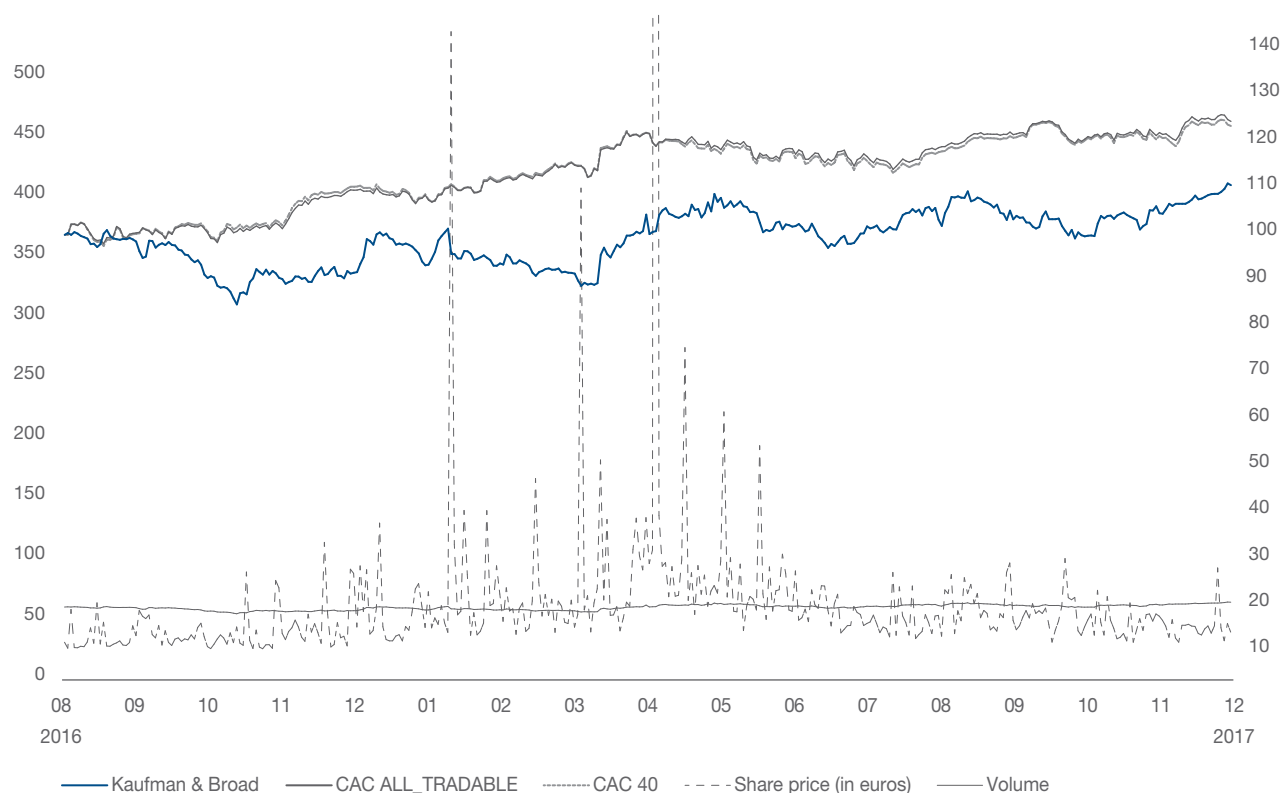
Available cash flow was €93.1 million at November 30, 2017, compared with €53.1 million at November 30, 2016, up by more than 75% (+€40 million).

FINANCIAL CAPACITY (in € millions)



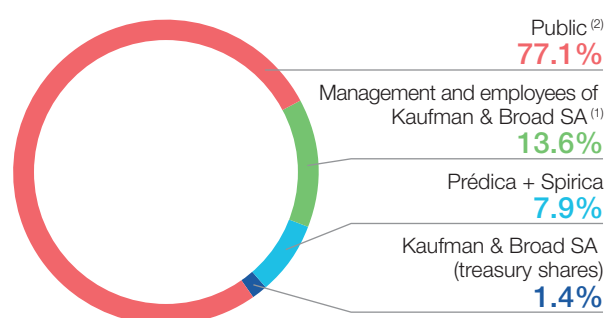
Cash and cash equivalents at November 30, 2017 totaled €221.1 million. The €100 million of the unused RCF line, added to cash and cash equivalents, brings the group's borrowing capacity at end-November 2017 to €321.1 million, compared with €218.1 million at end-2016 (including €100 million in unused RCF in 2016).

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



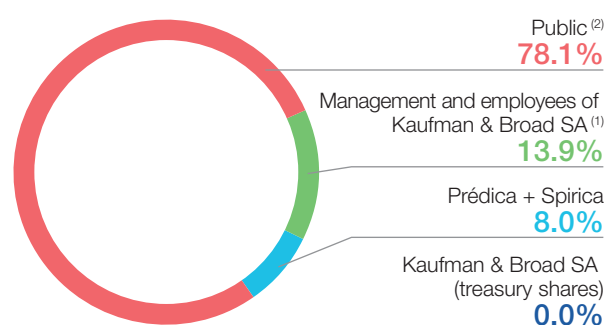
BREAKDOWN OF SHARE CAPITAL

(at November 30, 2017)



PERCENTAGE OF VOTING RIGHTS

(at November 30, 2017)



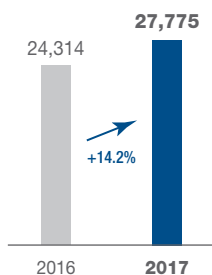
(1) Includes executives and employees of the Company via Artimus Participations, the Kaufman & Broad Actionnariat FCPE and the KB Actions 2017 FCPE.

(2) Shares held by Directors are included under the heading "Public" in the shareholding structure at November 30, 2017.

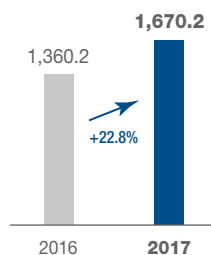
BUSINESS ACTIVITIES



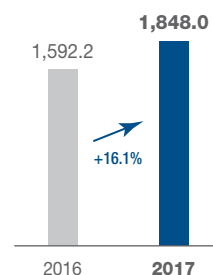
LAND RESERVE
(in units, number of homes)



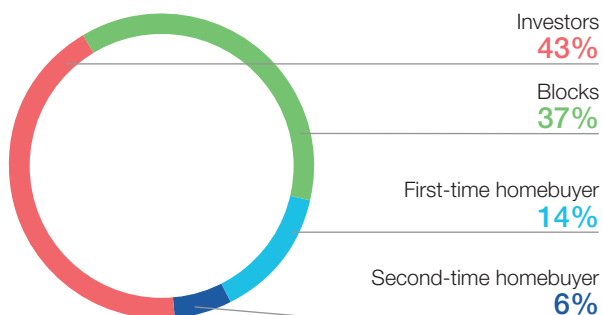
HOUSING UNIT BACKLOG
(in € millions, excluding VAT)



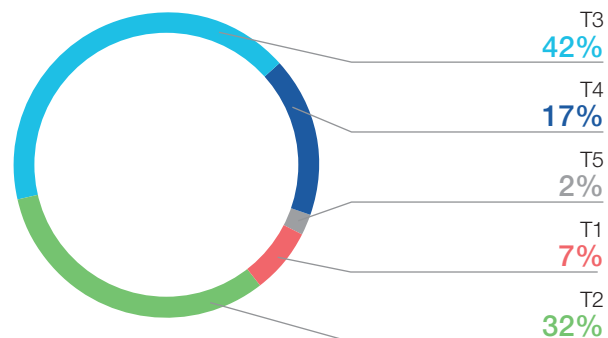
TOTAL BACKLOG
(in € millions, excluding VAT)



ORDERS BY TYPE OF BUYER
(in terms of number at November 30, 2017)



COMMERCIAL OFFER BY APARTMENT TYPE
(in terms of number at November 30, 2017)



Units under construction:

15,808



Housing units in the backlog:

10,072



Take-up periods in months:

5.1 months
i.e. a decrease of 2 months in 3 years



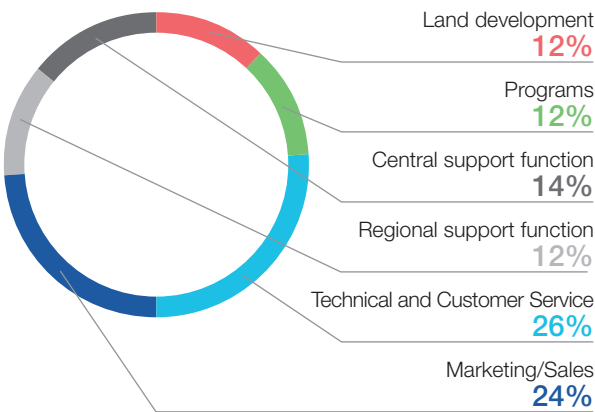
Housing units ordered:

9,027

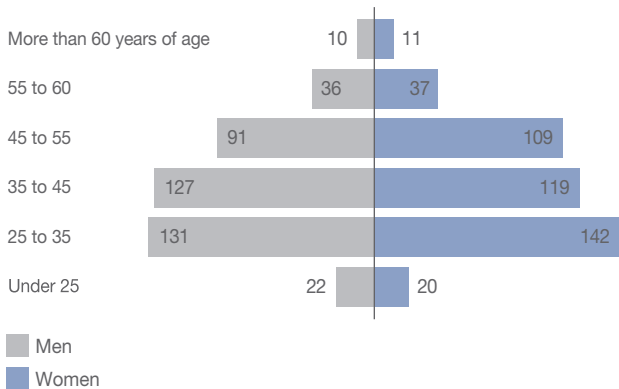
EMPLOYEES



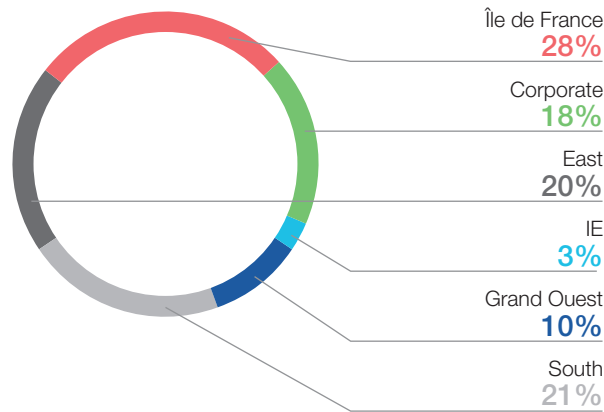
AVERAGE NUMBER OF EMPLOYEES BY FUNCTION
(at December 31, 2017)



AGE PYRAMID
(recognized at December 31, 2017)



AVERAGE NUMBER OF EMPLOYEES BY REGION
(at December 31, 2017)



855 employees
438 women
417 men

CORPORATE GOVERNANCE

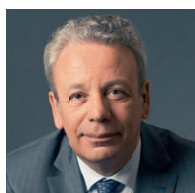


The main role of the Board of Directors is to determine the Company's business strategy and oversee its implementation.

The Board carries out the controls and inspections it deems necessary and is responsible for reviewing and approving the annual and half-year (statutory and/or consolidated) financial statements and for reviewing and approving the related reports required by current regulations. The Board of Directors of Kaufman & Broad SA currently has eight members, including five independent members, who bring a broad range of complementary skill sets and experiences:

Board of Directors

Chairman

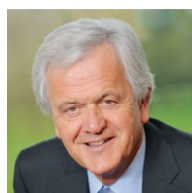


Nordine Hachemi
Chairman and Chief Executive Officer

Independent directors ⁽¹⁾



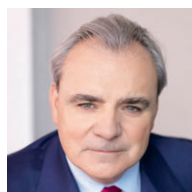
Sylvie Charles (SNCF Logistics)
Chairman of the Audit Committee



Yves Gabriel (Yves Gabriel Consulting)
Chairman of the Compensation and Nominating Committee



Sophie Lombard
Director



Jean-Louis Chaussade (Suez group)
Director



Caroline Puechoultres (Intermarché)
Director

Other directors



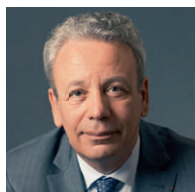
Michel Paris (PAI Partners)
Director



Frédéric Stévenin (PAI Partners)
Director

(1) Independent directors as defined in the AFEP-MEDEF Code.

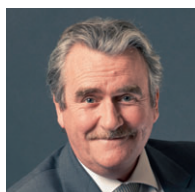
Management



Nordine Hachemi
Chairman
and Chief Executive Officer



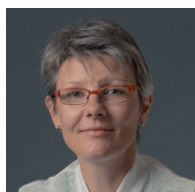
Bruno Coche
Chief Financial Officer



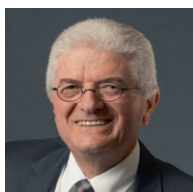
Christian Delapierre
General Manager Institutional Sales
and Île-de-France – Inner Paris
suburbs



David Laurent
General Manager
Commercial Property
and Major Urban Projects



Dominique Podesta
Senior Vice-President Human
Resources



Jacques Rubio
General Manager, Grand Sud-
Ouest, Managed Accommodation
and External Sales



William Truchy
General Manager Major Regions,
Marketing, Communication
and Digital and Sales and Marketing
Île-de-France

Operational Divisions

Paris/Île-de-France

- Nordine Hachemi manages the Île-de-France Region
 - Christian Delapierre, General Manager Institutional Sales and Île-de-France - Inner Paris Suburbs Sector 3 (75, 92, 93 and 94 North)
 - Xavier Granger, Agency Director Sector 3 (75, 92, 93 and 94 North)
 - Cyril Doucet, Regional Senior Vice-President Outer Paris Suburbs (77, 78, 91, 94 South and 95)
 - Marc Vettraino, Agency Director Sector 2 (77, 91 and 94 South)
 - Krystel Briant, Agency Director Seine-et-Marne (as of December 1, 2017)
 - Isabelle Charveriat, Agency Director Essonne and Val-de-Marne South (as of December 1, 2017)
 - Geoffrey Doux, Agency Director Val-d'Oise (as of December 1, 2017)
 - Mathieu Jaegle, Agency Director Yvelines (as of December 1, 2017)
- Frédéric Bourg, Senior Vice-President Île-de-France Operations

West – Normandy – North – East – Rhône-Alpes – Savoie – Southeast Region

- William Truchy, General Manager Major Regions, Marketing, Communications and Digital, Architecture-Quality and Innovation and Marketing Management.

Grand Ouest: Loire-Atlantique – Brittany – Normandy – North Flanders

- Christophe Duretete, Senior Vice-President, Grand Ouest
 - Guillaume Basile, Agency Director Caen/Rouen/Le Havre
 - Fabien Rolland, Rennes Agency Director
 - Yann Blondelle, Nantes Agency Director
 - Nicolas Riffart, Agency Director North Flanders

Seri Ouest, Brittany, Normandy

Grand Est: East – Rhône-Alpes – Méditerranée – Savoie – Côte d'Azur – Provence

- Marc Speisser, Regional Senior Vice-President Grand Est
 - Thierry Guehenneuc, Agency Director Lyon – Dijon (Rhône-Alpes)
 - Ludovic Landon-Rouly, Agency Director Annecy – Grenoble (Alpes)
 - Stéphane Thirouiez, Agency Director, Nice (Provence)
 - Nicolas Batisse, Agency Director, Toulon (Var)
 - Marc Speisser, Agency Director Marseille (Méditerranée)
 - Thibaud Simon, Agency Director Strasbourg

Midi-Pyrénées – Aquitaine – Languedoc-Roussillon Region

- Jacques Rubio, General Manager, Grand Sud-Ouest
 - Julien Destouches, Agency Director Montpellier – Perpignan (Languedoc-Roussillon)
 - Denis Caniaux, Agency Director, Bayonne (Pyrénées-Atlantiques)
 - Georges Lopez, Agency Director Bordeaux – La Rochelle (Gironde)
 - Tony Aringoli, Agency Director, Toulouse (Midi-Pyrénées)

Serge Mas Promotion Toulouse

Commercial Property and Logistics, Major Urban Projects

- David Laurent, General Manager Commercial Property
 - Patrick Decreton, Senior Vice-President Commercial Property Promotion
 - Charles-Henri Billot, Senior Vice-President Commercial Property Development
 - Jean-Paul Rival, General Manager Property Logistics
 - Christophe Henry, Senior Vice-President Property Logistics
 - Jean-Raphaël Nicolini, Director Major Urban Projects

MAIN GROUP LOCATIONS

Agencies



Annecy

68, rue Cassiopée
Altais B6 – Parc Altais
74650 Chavanod
Tel: +33 (0)4 50 05 61 95



Bayonne

3, rue du 49^e-Régiment-d'Infanterie
64100 Bayonne
Tel.: +33 (0)5 59 59 60 60



Bordeaux

30, allée de Tourny
33064 Bordeaux Cedex
Tel: +33 (0)5 56 12 72 72



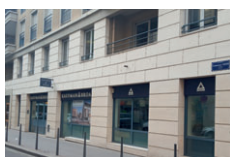
Caen

14, rue Saint-Pierre
14000 Caen
Tel: +33 (0)2 31 15 56 56



Lille

238, boulevard Clemenceau
59700 Marcq-en-Barœul
Tel: +33 (0)3 28 33 83 23



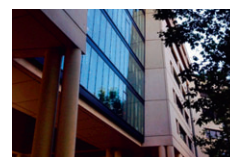
Lyon

33, cours Gambetta
69446 Lyon Cedex 03
Tel: +33 (0)4 72 84 03 74



Marseille

Le Silo d'Arenc
35, quai du Lazaret – CS 30010
13002 Marseille Cedex 02
Tel: +33 (0)4 96 17 32 00



Montpellier

266, place Ernest-Gravier
3^e étage
34000 Montpellier
Tel: +33 (0)4 67 13 82 70



Nantes

25 bis, rue Paul-Bellamy – BP 10216
44002 Nantes Cedex 1
Tel: +33 (0)2 40 74 44 44



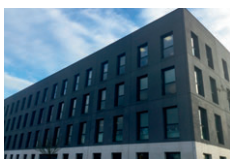
Neuilly-sur-Seine

(Registered office – Île-de-France – Commercial property – Showroom)
127, avenue Charles-de-Gaulle
92207 Neuilly-sur-Seine
Tel: +33 (0)1 41 43 43 43



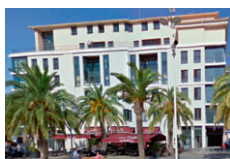
Nice

400, promenade des Anglais
06200 Nice
Tel: +33 (0)4 93 21 84 84



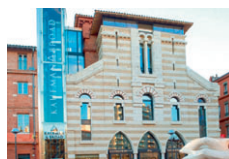
Rennes

121, rue du Temple de Blossne
35136 Saint-Jacques-de-la-Lande
Tel: +33 (0)2 99 52 70 37



Toulon

Le Palais de la Liberté -
17, place de la Liberté
83000 Toulon
Tel: +33 (0)4 94 02 99 00



Toulouse

27 bis, allée Jean-Jaurès
31010 Toulouse Cedex 6
Tel: +33 (0)5 34 41 08 08

Offices

Grenoble

34, rue Gustave-Eiffel
38000 Grenoble

Perpignan

30 Avenue du Général-Leclerc,
66000 Perpignan

Le Havre

100 rue Dicquemare
76068 Le Havre

Rouen

3 rue Rollon
76000 Rouen

Dijon

4 avenue de la 1^{ère} Armée-française,
21000 Dijon

Strasbourg

15 rue des Francs-Bourgeois
67000 Strasbourg

La Rochelle

56, rue Saint-Yon
17000 La Rochelle



INFORMATION ABOUT THE GROUP'S BUSINESS ACTIVITIES

1

1.1. The Kaufman & Broad group	14	1.3. Insurance and risk management	59
1.1.1. History	16	1.3.1. Insurance	59
1.1.2. Main characteristics of the business	18	1.3.2. Risk management	60
1.1.3. Operational organization of the group	29	1.4. Current litigation	63
1.1.4. Customers and products	31	1.5. Investment policy	63
1.1.5. Marketing and sales	36	1.5.1. Research and development	63
1.1.6. Sales method	38	1.5.2. Principal investments	64
1.1.7. Development process	39	1.5.3. Current and future principal investments	65
1.1.8. Purchase of land	40	1.6. Main subsidiaries and affiliates	65
1.1.9. Land development and monitoring the construction	42	1.7. Sustainable Development	65
1.1.10. Program financing	43	1.7.1. Group CSR policy	66
1.1.11. Builders and suppliers	43	1.7.2. Environmental information	67
1.1.12. Intellectual property	44	1.7.3. Social information	75
1.1.13. Main offices	44	1.7.4. Societal information	81
1.2. Risk factors	44	Methods used in Kaufman & Broad's non-financial reporting for fiscal 2017	88
1.2.1. Risks related to the economic and financial environment	45	Indicators used	88
1.2.2. Market risks	51	Scope of non-financial reporting	88
1.2.3. Legal risks	53	Methods	89
1.2.4. Industrial, economic and environmental risks	55		
1.2.5. Other risks	57		

1.1. The Kaufman & Broad group

For 50 years, Kaufman & Broad and its subsidiaries (together, the “group” or “Kaufman & Broad”) have been developing and building new single-family homes in communities (grouped homes), apartments, managed housing (including corporate, tourist and student housing and non-assisted living accommodations for older adults) and hotels, as well as commercial property in France (offices, stores and logistical platform).

Since its formation in 1968, Kaufman & Broad has built close to 124,000 housing units and 820,000 sq.m of office and commercial space in France. Kaufman & Broad is one of the leading builders of housing units (Single-family homes in communities and Multi-occupancy housing) in France. Historically, its principal market is Île-de-France. In 2017, the Île-de-France market represented 34.9% of the group's housing orders versus 34.1% in 2016.

Housing Segment

Private housing (Multi-occupancy or Single-family) and managed accommodation

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 individual trade contractors.

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

- not to purchase land for speculative investment, but instead to only buy the land required for the growth of its business;
- not to anticipate any significant increases in real estate prices when acquiring land, but instead to focus on the design and quality of its products;
- to review the financing plans of its customers to ensure their ability to finance their purchases;
- to ensure that all group employees are aware of the new Chart of Ethics and which governs the relations of the group employees with its customers, subcontractors, suppliers and, more generally, all others interacting with the Company;
- 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 fosters privileged access to real estate;
- it generates long-term customer loyalty, as first-time buyers become second-time buyers; and
- 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, where applicable, under brands of its portfolio resulting from acquisitions and which benefit from strong reputation on local markets.

By listening to its customers and stakeholders and observing their changes and their way of living and working, the group has been able to visualize and create products that match their expectations which have become benchmarks in its sector. The reputation of Kaufman & Broad has been, mainly built on the quality of its products. A building is a link at the heart of the city, the neighborhood, the urban fabric, between the present and the future; a link with the partners of the group in other words a link between the City, the developer, the user and the investor. This link is of the essence for the company. It allows the company to create truly customized projects, establishing a genuine relationship, a continual exchange with its customers and partners. This link does not stop with the delivery of the building: the group also trains the operators and users and continues to advise its customers during the first two years of operation.

Thanks to its unique experience, ability to listen, along with its creativity and know-how, the group is able to offer customized solutions that reconcile the goals and requirements of everyone and address the major issues facing the local authority, the planner and the local population as well as for future users, be they owner-occupants or investors (private, institutional or public).

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.

Lastly, for more than a decade, the group has been expanding its tourist, corporate, older people (non-assisted living accommodations) and student housing programs.

Business property

Kaufman & Broad's Business property teams design, develop and commission the construction of office projects, commercial complexes, hotels, and logistics platforms. For the group, building an office building means first of all creating value for the community, its investors, and its users, i.e.: quality, sustainability, a safe investment, long-term profitability, a respected and protected environment, and economic attractiveness. Kaufman & Broad has become one of the biggest French players in the property world for several years. Thanks to its unique ability to listen, creativity and know-how, Kaufman & Broad is able to provide tailored solutions that reconcile the aims and requirements of each party concerned and respond to the major challenges faced by the community, planners and local residents, as well as investors and future users.

The group operates this business either on behalf of third parties (project management contracts and real estate promotion contracts), or on its own behalf for the purpose of marketing, under a strict policy of purchasing land after the entire program has been presold (sale before completion or “VEFA”).

New offices

For Kaufman & Broad, every project is unique. Kaufman & Broad is there every step of way to help its clients create their tailor-made project. A new office building is the culmination of a painstaking creation process, the combination of strict parameters and decisive choices made in close collaboration with our partners:

- to choose the best locations;
- to provide responses tailored to the needs of businesses;
- incorporate the requirements of public authorities and investors;
- construct the most healthy and comfortable, economic and virtuous, efficient and profitable buildings.

Redeveloped offices

In terms of building rehabilitation, the challenges of redevelopment are to make the property complex attractive again so that a fresh cycle of long-term profitability and optimal liquidity can be found for these real estate assets.

Logistics and business platforms

Created in 1998, Concerto is one of the French leaders in logistics engineering in France. A subsidiary of the Kaufman & Broad group since 2014, Concerto represents a strategic addition to the expertise and know-how of Kaufman & Broad's commercial property segment. It has demonstrated its ability to create value for its industrial customers or distributors by offering them bespoke solutions and projects that respond to the new technical challenges currently faced by logistics businesses.

Concerto offers professionals solutions for real estate/logistics functions to enable them to turn fixed costs into variable costs and stay focused on their core business. In this context, Concerto, with its experience in logistics engineering, designs turnkey projects tailored to the needs of its customers in a spirit of long-term partnership, and carries out the reconversion/rehabilitation of sites close to urban centers. Concerto is active in high value-added logistics sectors in all areas of industry, local logistics (mass retail, retail), and the logistics of new premises.

Hotels

To develop new concepts and diversify their future customer base, Kaufman & Broad's Commercial property teams offer its expertise in hotel project design to the largest national and international brands.

These teams can offer their future customers tailor-made projects so that they can:

- reap the benefits of the growth and globalization of tourism;
- develop new hotel concepts that create more value and are more attractive to their customers;
- respond to urban issues and find their place in the heart of the city.

Stores

Kaufman & Broad does not design any program without thinking about the residents, employees, district and uses of each one. The group makes its know-how and expertise in Commercial property available to users and the city, so that ground-floor commercial premises can be developed in housing units or managed accommodation.

Major Urban Projects

In 2014, Kaufman & Broad created a Major Urban Projects department, with the aim of helping local authorities to create new-generation eco-urban projects. This creation is based on the belief that a sustainable neighborhood will only be successful if all the components of its ecosystem are coherent. To respond to the requirements of local authorities, the Major Urban Projects department is introducing a new model for neighborhood projects that integrate the entire life cycle of the neighborhood from the design stage, by establishing, very early on and for the long-term, a partnership relationship with the local authorities.

Lastly, to encourage the integration of these projects within their urban environment, each program includes a component for the development and support of local initiatives led by residents. Kaufman & Broad is thus committed, alongside local authorities, to encourage and support stakeholders in local development, such as local businesses, local charities, back-to-work initiatives, and start-ups.

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
2015	Acquisition of an equity interest in Safaur.
2015	Acquisition of Serge Mas Promotion
2016	Acquisition of the Safaur group. Partial sale of the equity interest in Kaufman & Broad's share capital by Financière Gaillon 8 (a company controlled by funds held by PAI Partners). Acquisition of the Seri Ouest group
2017	Sale of the outstanding equity interest in the share capital of Kaufman & Broad. By Financière Gaillon 8 (a company ultimately held by PAI Partners) Creation of the company Cosy Diem in partnership with Sérénis (a company that runs retirement homes and healthcare facilities)

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.

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

Since July 10, 2007 and until May 2017, the majority holder of Kaufman & Broad SA was Financière Gaillon 8, a company ultimately controlled by funds managed by PAI Partners (PAI). The changes in PAI's ownership interest are presented in detail in Section 5.3.1. "Shareholding structure of the Company at November 30, 2017 and three-year change".

On January 27, 2016, Financière Gaillon 8 SA, the principal shareholder of Kaufman & Broad SA holding 87.95% of the authorized capital, had announced on that date, its intent to start the disposal of its equity interest in Kaufman & Broad SA through a market offering which could bring its equity interest to below 50% of the share capital. The private placement transaction with institutional investors occurred in late April 2016 at the price of €31.5 per Kaufman & Broad SA share. The placement was oversubscribed several times and attracted high-quality investors in France and abroad.

The transaction allowed Kaufman & Broad to significantly increase its free float and the liquidity of its shares. The gross income from the disposal of 8,958,134 shares after the complete exercise of the over-allotment option amounted to €282 million in favor of Financière Gaillon 8. Financière Gaillon 8 successively sold 43% of the Company's share capital in April 2016 and 17.76% in February 2017 through private investments and the balance of the share capital of the company in May 2017. On the date of this Registration Document, Financière Gaillon 8, a company ultimately controlled by funds managed by PAI Partners, no longer appears in the share capital of the company.

Artimus Participations, a company owned by certain group executives and employees acquired 944,444 shares sold by Financière Gaillon 8 SA at an offer price of €31.5 per share, for a price of €30 million. As of February 28, Artimus Participations owned 2,198,644 shares or 10.43% of the share capital of Kaufman & Broad SA, after taking into account the Kaufman & Broad shares awarded under the bonus share plans awarded to Artimus Participations by executives and employees investing in Artimus Participations, and the Kaufman & Broad shares awarded to Artimus Participations resulting from the transfer by executives and employees, to Artimus Participations, of their shares in Financière de Neuilly.

Lastly, Kaufman & Broad SA announced on September 21, 2017, the launch of its shareholder offer "KB Actions 2017" with leverage and investment guarantee reserved for the employees of the group who are participants in the savings plan. The offer has been very successful with a 65.4% participation rate of eligible employees, a total of 236,496 shares subscribed through the FCPE (mutual fund) KB Actions 2017 for a total of €7,357,390.56. Through this operation, the group's employees have strengthened their position as the leading shareholder

of Kaufman & Broad SA, thus demonstrating their commitment and their trust. The capital increase resulting from this offer (KB Actions 2017 FCPE), the shares held through Artimus Participations, and those held by the KAUFMAN & BROAD ACTIONNARIAT FCPE therefore increased the employees' shareholding in the company Kaufman & Broad SA to just under 14%.

The risks associated with the Company's controls are described in Section 1.2.5.8. "Risks related to the group's shareholding structure". Note that the Company refers, in matters of Corporate Governance, to the AFEF-MEDEF Code (see Sections 3.1.1.2.1. "Corporate Governance Code" et seq.).

1.1.1.3. Acquisition strategy

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

In August 1997, Kaufman & Broad acquired from CDR the main assets (interests in 13 real estate partnerships ("SCI")) of *Société de Missions et de Coordinations Immobilières* (SMCI) and of CFP-SMCI, which build apartments in the major French cities (Paris, Marseille, Lyon, Strasbourg, Rouen and Besançon), as well as 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 the SCIs (real-estate partnerships) owning individual apartment programs), a specialist in the construction of apartment units in Île-de-France for a total amount of approximately €15.5 million. Four acquisitions were made in 2000, two of which were companies specializing in the construction of apartments in Paris and the inner suburbs of Île-de-France (Frank Arthur Promotion in January and Sefima in July, respectively). They were acquired to strengthen the market share of the Company in Île-de-France. The other two companies purchased that year by Kaufman & Broad were First Promotion in Lille, in July and Sopra Promotion in Toulouse in November. 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. The variable portion totaled €3.6 million.

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

In June 2005, Kaufman & Broad purchased 15 housing programs in the Toulouse region for €4.7 million. These programs were previously developed under the Lotibat name.

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 SM2I, a regional real estate development company, for €5.1 million. This acquisition enabled the group to step up its operations in the Brittany 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 real estate development company in the Nord-Pas-de-Calais region, for a price of €0.4 million. This acquisition enables the group 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. Until 2018, Affine will remain a partner of Kaufman & Broad as a minority associate for project developments.

In October 2015, Kaufman & Broad acquired an interest in Safaur, a player in property development based in Caen. The acquisition was for €1.4 million, representing a 40% stake in the share capital of the company. This equity investment is in line with Kaufman & Broad's desire to expand its presence in mid-size population areas. Safaur also covers the Normandy coast and Lower Normandy. The two companies share the same values and care deeply about creating high-quality homes. On January 6, 2016, Kaufman & Broad acquired the entire capital of Safaur for a provisional price in the aggregate amount of €5.5 million.

In December 2015, Kaufman & Broad took over control of SMP (Serge Mas Promotion), a real estate developer in the Toulouse region. SMP is an active player in promotion-construction-sale in Toulouse and in the Southwest of France and has completed many housing, apartment, retirement home, store and office programs as well as mixed use developments. This business combination with a well-known regional real estate developer is in line with Kaufman & Broad's aim to develop and strengthen its leader position in the Languedoc-Roussillon region and in Midi-Pyrénées. The amount of this transaction is approximately €1.7 million.

On June 23, 2016, Kaufman & Broad Nantes, a wholly owned subsidiary of Kaufman & Broad SA, took a controlling interest (80%) in Seri Ouest. This company has operations in Upper and Lower Normandy, Brittany and Pays de la Loire, with a combination of housing programs (apartments and houses), managed accommodation and offices. Joining

up with a renowned regional developer enables Kaufman & Broad to strengthen its position in population areas in the Grand-Ouest area and develop its regional network. The remaining 20% of Seri Ouest shares was acquired on June 23, 2017. The final total price of this transaction amounted to €14 million.

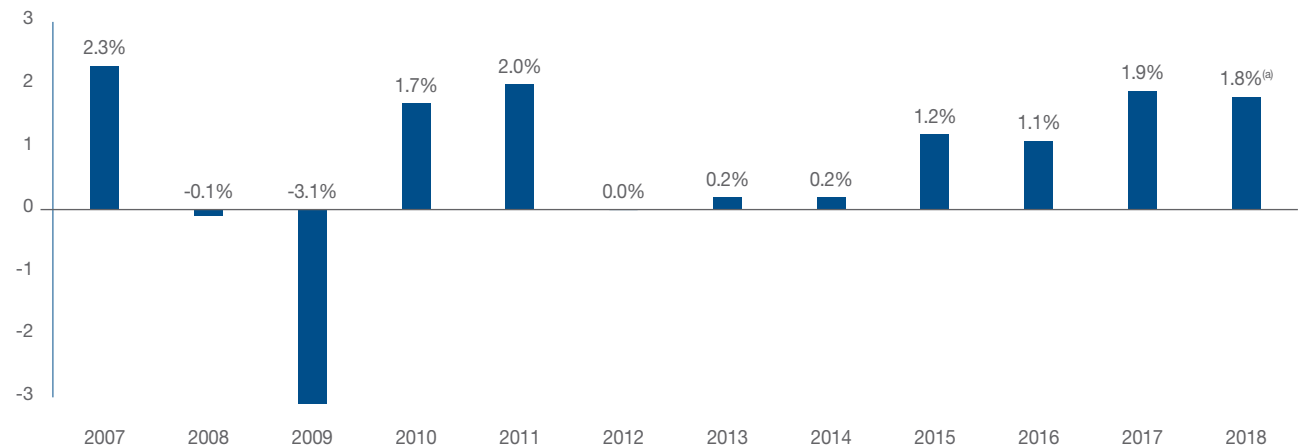
1.1.2. Main characteristics of the business

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

1.1.2.1. Macroeconomic Indicators

The following graphs illustrate the changes in the various macroeconomic indicators over the past 10 years.

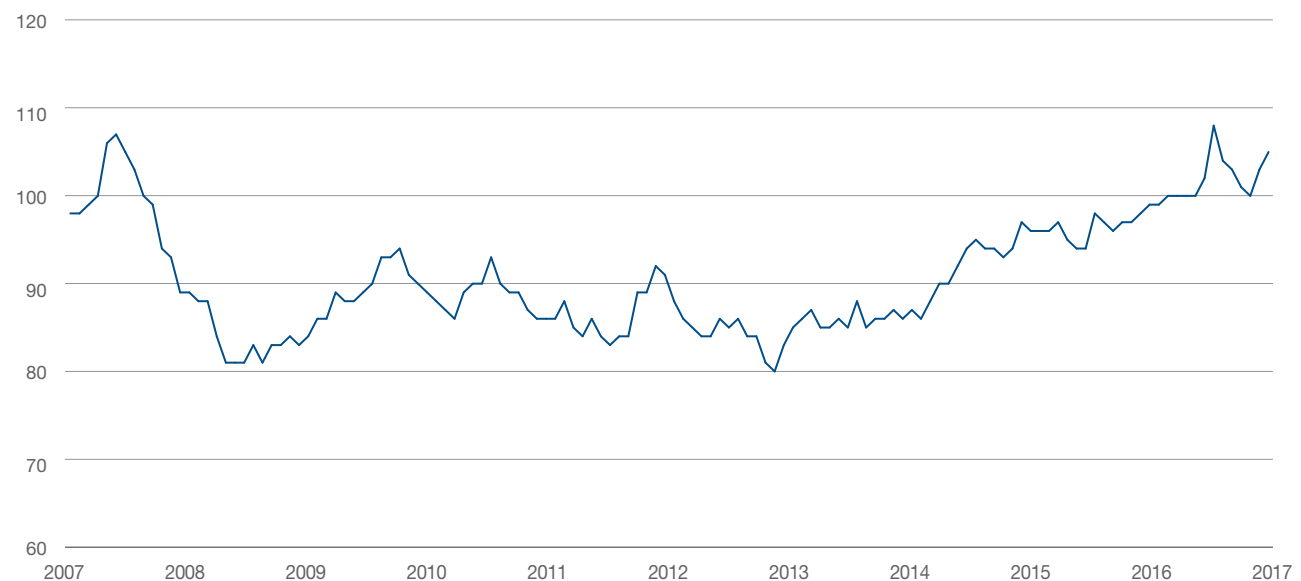
FRENCH GDP GROWTH



Source: INSEE.

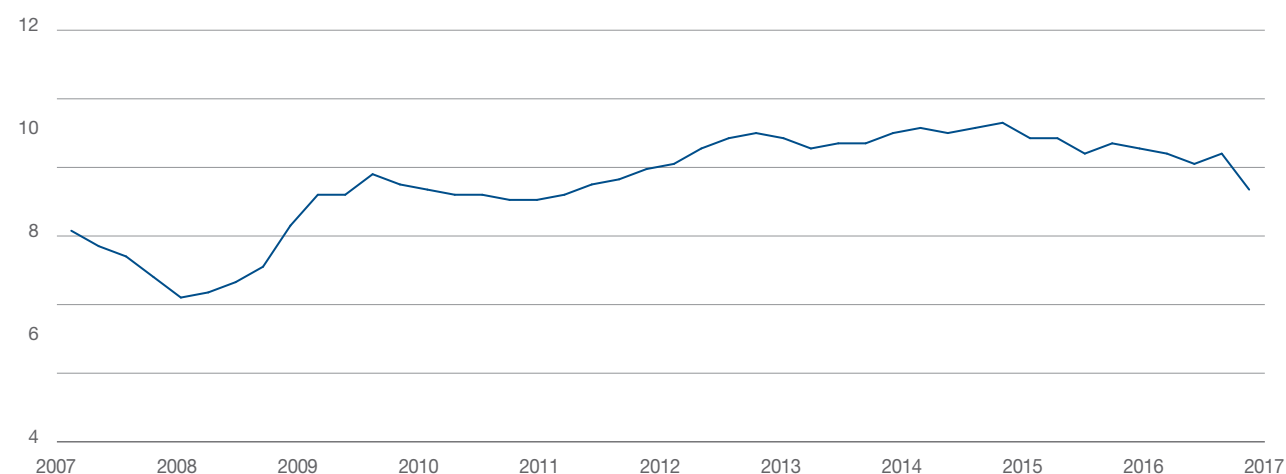
(a) Estimated according to the OECD.

CONSUMER CONFIDENCE INDEX MONTHLY TREND



Source: INSEE.

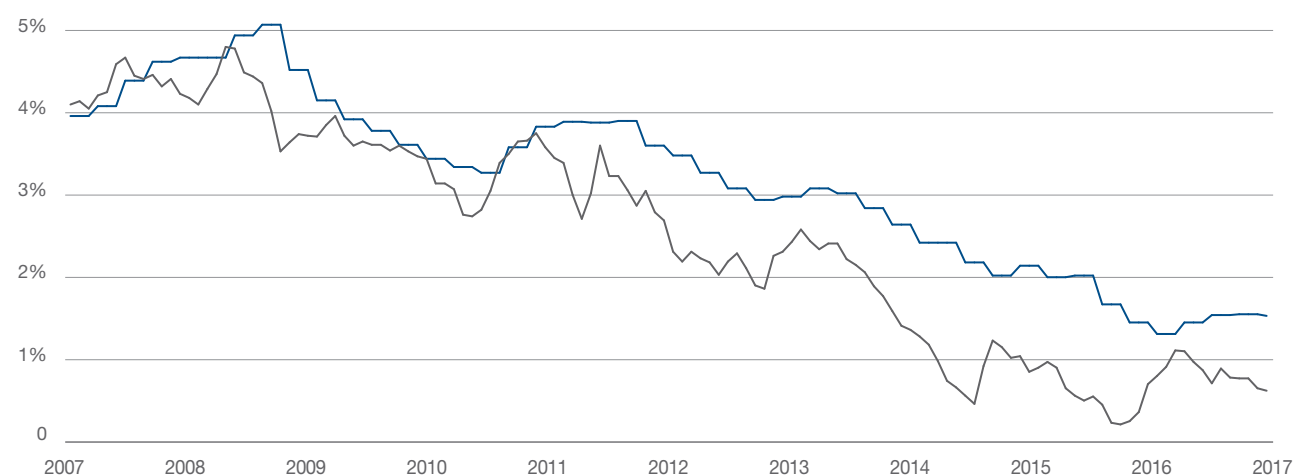
CHANGE IN THE UNEMPLOYMENT RATE IN METROPOLITAN FRANCE



Source: INSEE.

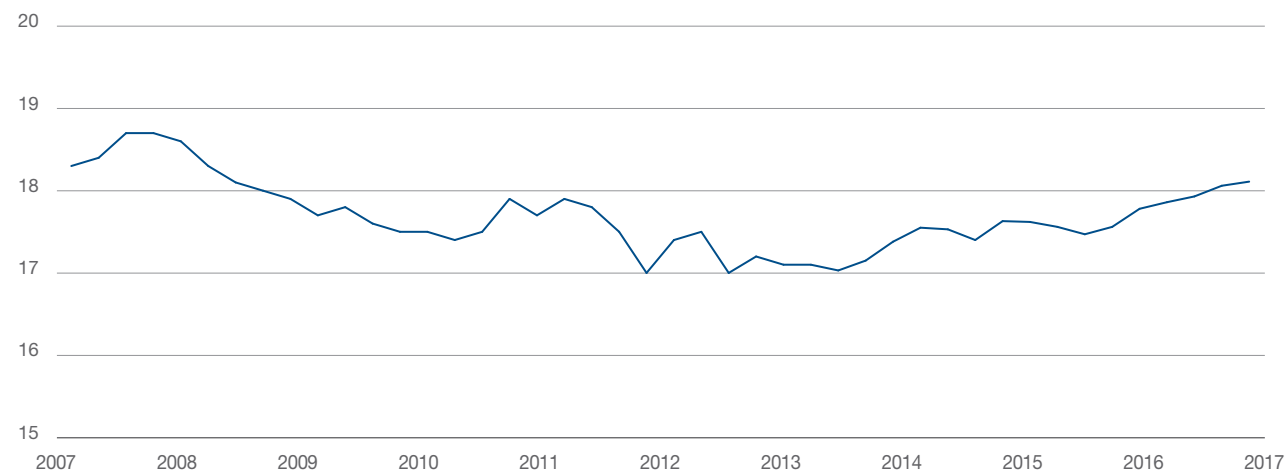
Housing property indicators

AVERAGE INTEREST RATE ON REAL ESTATE LOANS



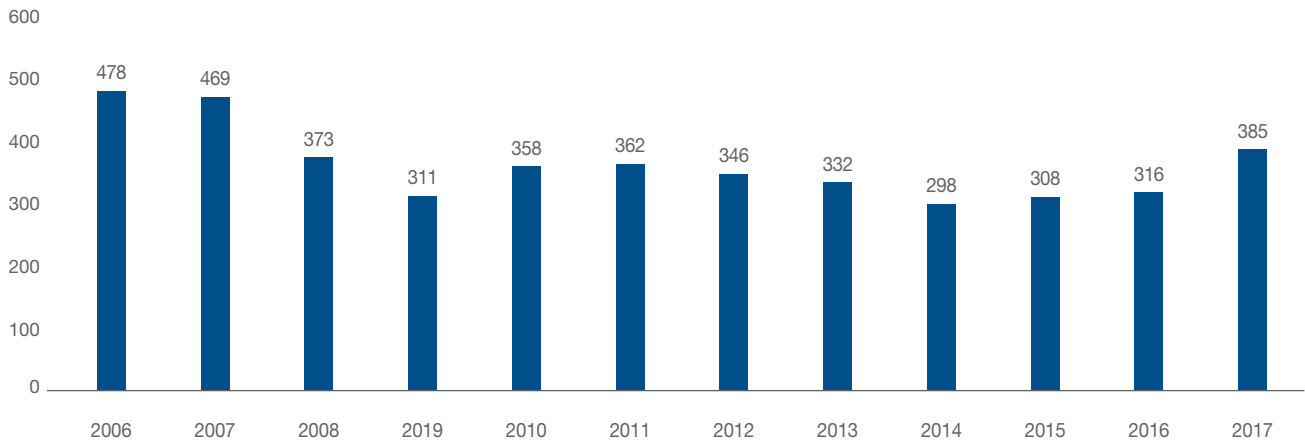
— Average interest rate on real estate loans — Average interest rate on government bonds
Source: Observatoire Crédit Logement.

AVERAGE TERM OF REAL ESTATE LOANS (IN YEARS)



Source: Observatoire Crédit Logement.

CHANGE IN THE NUMBER OF HOUSING UNITS UNDER CONSTRUCTION IN FRANCE (IN THOUSANDS OF UNITS) ⁽¹⁾



(1) Housing units under construction: pure individual housing, grouped individual housing, multi-family housing, accommodation (new construction and construction in existing buildings).

Sources: French Ministry of Ecology, Sustainable Development and Energy, Sit@del2.

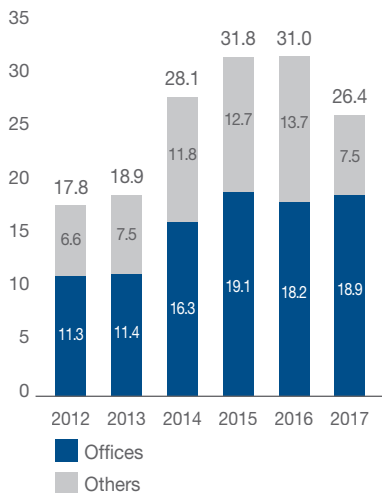
As of December 31, 2017, housing under construction (started) totaled 385,026 housing units versus 316,407 housing units started in 2016. They include new construction (347,929 housing units) and construction in existing buildings (37,097 housing units). They are divided into pure individual housing units (103,258), grouped homes or single-family homes in communities (37,746), multi-occupancy housing (215,853)

as well as serviced housing (28,169). The market for new housing, where Kaufman & Broad operates, comprises grouped single-family homes, multi-occupancy housing and serviced housing, excluding construction in existing buildings (which is included in the data by type of housing units described above).

Commercial property indicators

AMOUNTS INVESTED IN FRANCE: "OFFICES" VS. "OTHER"

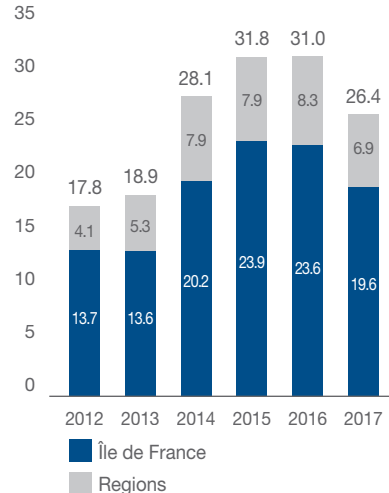
(in € billions)



Source: BNP Paribas Real Estate.

AMOUNTS INVESTED IN FRANCE: "ÎLE-DE-FRANCE" VS "REGIONS"

(in € billions)



Source: BNP Paribas Real Estate.

COMMERCIAL PROPERTY IN ÎLE-DE-FRANCE

(in € billions)



Source: BNP Paribas Real Estate.

1.1.2.2. Tax incentives

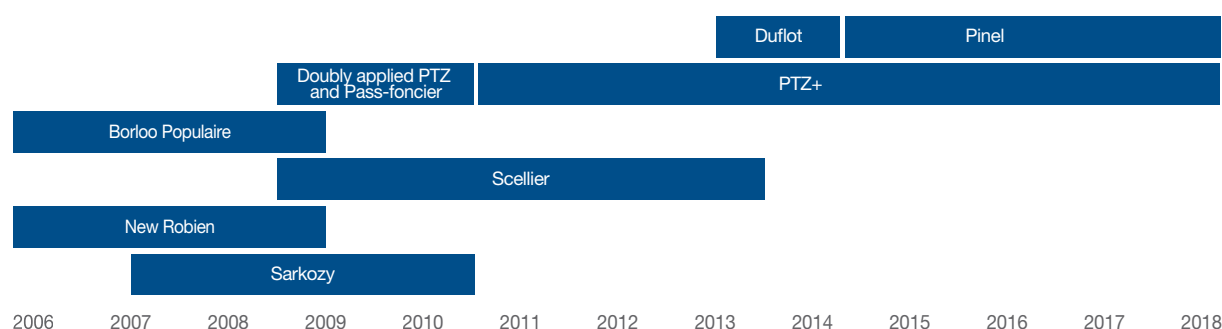
The market for new housing units has benefited from various tax incentives for more than 20 years. The French government has created financing incentives for the purchase of property through loans such as the home ownership assistance loan ("PAP"). The PAP loan was replaced in 1995 by the zero-interest loan (PTZ), which was revised in 2005, doubled in 2010 and replaced as of January 1, 2011 by the Zero-Interest Plus ("PTZ+") loan.

Created by the 2013 Budget Act, "the Duflot incentive" allowed 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 thus made several adjustments in the latest incentive, known as "Pinel" aiming at reviving the construction of intermediate housing in vulnerable areas (see Section 1.1.2.2.2. "The 'Pinel' incentive").

The group considers 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 their impact (see details in Section 1.2.3.3. "Risks related to the tax incentives that may affect the new housing market").

The chart below summarizes the sequence of the various tax incentives affecting the housing market for more than 10 years:



1.2.2.1. The "Pinel" incentive (in force since September 1, 2014)

The incentive under the Duflot Law (adopted pursuant to Law No. 2012-1509 of December 29, 2012, known as the 2013 Budget Act) has been renamed "Pinel" and underwent some adjustments in 2014 (Law No. 2014-1654 of December 29, 2014, known as "the 2015 Budget Act"). Furthermore, it was extended for one year by Article 68 of the Law known as the "2017 Budget Act" (Law No. 2016-1917 of December 29, 2016) and extended on an experimental basis in some municipalities in Zone C, which is known not to be a high-demand, low-supply area.

Article 68 of the 2018 Budget Act (Law No. 2017-1837 of December 30, 2017) has once again reproduced the incentive through December 31, 2021 and re-centered it in high-demand, low-supply areas. These modifications apply to the acquisitions carried out beginning January 1, 2018 or in the construction of housing units for which a building permit request has been filed on or after this date.

Accordingly, from January 1, 2013 to December 31, 2021, 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 prior to September 1, 2014, the minimum term of the commitment had to be nine 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 six or nine years. Accordingly,

the tax reduction is 12% for a six-year commitment and 18% for a nine-year commitment. The eligible investment amount is capped at €300,000 per tax household per year and cannot exceed a maximum of two housing units per year.

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 2017.

Lastly, all housings sold before completion and purchased after September 1, 2014 must be completed within 30 months, no longer from the date of announcing the construction, but currently from the date of signing of the notarized deed.

Terms and conditions of the tenancy

The tenancy must take effect within 12 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 six-year commitment may be extended for three years, renewable once, i.e., for six additional years.

An initial nine-year commitment may be extended for three 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 six-year term, the rate applicable upon a first three-year extension is increased by 6%, i.e., from 12 to 18%. With the second extension, the rate is increased by 3%, i.e., from 18 to 21%.

Where a taxpayer has signed a commitment for a nine-year term at a rate of 18%, the rate applicable upon a first three-year extension is increased by 3%, to 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 (up to 12 years)	3%
Maximum tax reduction	21%

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

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

The homes must be located in specific geographic areas in which there is an imbalance between supply and demand. These are zones A, Aa, B1 and B2. The 2018 Budget Act has re-centered the incentive in zones A, Aa and B1 of the territory such as what has been defined by order dated August 1, 2014. The re-centering applies to the acquisitions carried out since January 1, 2018 and also to the construction of housing units for which a building permit has been filed before January 1, 2018 if the acquisition is carried out after December 31, 2018.

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 square meter, excluding expenses, are as follows for leases signed in 2016 and leases signed or renewed in 2017:

Zone (€/sq.m/month)	Monthly rent ceiling per square meter	
	2016	2017
A	€12.50	€12.50
Aa	€16.83	€16.83
B1	€10.07	€10.07
B2	€8.75	€8.75

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

The annual ceilings on tenant income are as follows for leases signed or renewed in 2017:

Composition of tenant household (in €/year)

	Zone A	Zone A bis	Zone B1	Zone B2 and C
Single person	€37,126	€37,126	€30,260	€27,234
Couple	€55,486	€55,486	€40,410	€36,368
Single person or couple with one dependent	€66,699	€72,737	€48,596	€43,737
Single person or couple with two dependents	€79,893	€86,843	€58,666	€52,800
Single person or couple with three dependents	€94,579	€103,326	€69,014	€62,113
Single person or couple with four dependents	€106,431	€116,268	€77,778	€70,000
Supplement for the fifth and each additional dependent	€11,859	€12,954	+€8,677	+€7,808

1.1.2.2.2. The "Zero-Interest Plus Loan"

The Zero-Interest Plus Loan ("PTZ+"), a centralized extended system of tax credits, was introduced to simplify the existing range of housing aid programs.

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 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 extended to taxpayers subject to income requirements.

Article 107 of the 2016 Budget Act has simplified and broadened the zero-interest loan since January 1, 2016. Under the aforementioned law, Decree No. 2015-1813 of December 29, 2015 amended the income ceilings, loan ratios and transaction ceilings as well as the repayment options. Loan repayment may be deferred by 5, 10 or 15 years, depending on income, and households may rent out their home after 6 years without having repaid the loan in full. Finally, the income ceilings have been raised, thereby creating an opportunity for more households to be eligible.

The 2018 Budget Act extended the interest-free loan scheme (PTZ) through December 31, 2021. In existing buildings requiring renovation, the PTZ scheme has been re-centered over less vulnerable areas for loan offers issued since January 1, 2018 (in practice, zones B and C). Correspondingly, homes located in zones A, Abis and B1 are no longer eligible for the PTZ scheme since this date. The PTZ scheme in existing buildings subject to sale of the social park to its occupants has not, on the other hand, been modified. It can be granted no matter where the home is located.

In new builds, the incentive is maintained over the entire area for the loan offers issued in 2018 and 2019 but will be re-centered in the most vulnerable zones (zones A and B1) beginning in 2020. Correspondingly, the homes located in zones B2 and C will no longer be eligible for PTZ beginning on this date.

The Budget Act has not modified the share of loans in existing buildings: they remain fixed at 40% for homes to be renovated and 10% for transactions concerning the sale of the social park.

However, for new builds, the share of the loan remains at 40% for zones A and B1 but is reduced to 20% in zones B2 and C for loan offers issued since January 1, 2018.

Moreover, the acquisitions of existing homes carried out as part of a sale of buildings to be renovated mentioned in Article L. 262-1 of the Construction and Housing Code (CCH) are now eligible for the PTZ in existing buildings requiring renovation.

Since January 1, 2016, the annual ceilings for purchasers are set as follows:

Composition of purchaser household since January 1, 2016 (in €/year)

	Zone A	Zone B1	Zone B2	Zone C
Single person		€37,000	€30,000	€27,000
Couple with 2 children		€74,000	€60,000	€54,000

In order to determine the amount of the interest-free loan, a percentage is applied to the total transaction cost (TTC) limited to a ceiling. The maximum amounts (for loan offers issued in 2018 and 2019) are the following:

Number of people occupying the home		1	2	3	4	5 or more
Zone A	Maximum amount used for the transaction	€150,000	€210,000	€255,000	€300,000	€345,000
	Maximum amount of the loan					
	New home	€60,000	€84,000	€102,000	€120,000	€138,000
	Existing HLM (rent-controlled) home	€15,000	€21,000	€25,500	€30,000	€34,500
Zone B1	Maximum amount used for the transaction	€135,000	€189,000	€230,000	€270,000	€311,000
	Maximum amount of the loan					
	New home	€54,000	€75,600	€92,000	€108,000	€124,400
	Existing HLM (rent-controlled) home	€13,500	€18,900	€23,000	€27,000	€31,100
Zone B2	Maximum amount used for the transaction	€110,000	€154,000	€187,000	€220,000	€253,000
	Maximum amount of the loan					
	New home	€22,000	€30,800	€37,400	€44,000	€50,600
	Existing home to be renovated	€44,000	€61,600	€74,800	€88,000	€101,200
	Existing HLM (rent-controlled) home	€11,000	€15,400	€18,700	€22,000	€25,300
Zone C	Maximum amount used for the transaction	€100,000	€140,000	€170,000	€200,000	€230,000
	Maximum amount of the loan					
	New home	€20,000	€28,000	€34,000	€40,000	€46,000
	Existing home to be renovated	€40,000	€56,000	€68,000	€80,000	€92,000
	Existing HLM (rent-controlled) home	€10,000	€14,000	€17,000	€20,000	€23,000

1.1.2.2.3. 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 2011 Supplementary Budget Act increased the reduced VAT rate from 5.5% to 7%, except for social housing programs under Article 278-sexies of the French General Tax Code if such programs were underway before January 1, 2012.

The 2012 Supplementary Budget Act had announced an increase in the VAT rate from 7% to 10% for the aforementioned zones effective January 1, 2014.

However, the 2014 Budget Act made further changes to this tax incentive before it entered into force. For example, from January 1, 2014, the VAT rate was reduced to 5.5% in areas covered by an agreement with the National Urban Renewal Agency (ANRU), and also became applicable in an area reduced from a 500-meter radius to a 300 meter-radius from those zones. Finally, for developments not yet completed by January 1, 2014 and located in that same area, the VAT rate was lowered retroactively from 7% to 5.5%.

Furthermore, the 2016 Budget Act maintained the 5.5% rate until December 31 of the second year following the date of expiry of the agreement signed with the National Urban Renewal Agency "ANRU", for transactions for which the building permit was filed during such two years.

However, for programs located outside the 300-meter radius of an ANRU zone, the VAT rate has been increased to 20%, except for programs located within the 300-500 meter radius for which a building permit was filed before December 31, 2013, which preserve the 7% rate.

In order to benefit from this incentive, the following conditions must be met:

- districts eligible for this incentive are disadvantaged urban areas (plus neighborhoods subject to exemption from Article 6 of Law No. 2003-710 of August 1, 2003) for which an urban renewal agreement has been signed with the National Urban Renewal Agency or which are located within 300 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 are 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 town policy 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 units 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.

These new districts will gradually replace the ANRU zones whose removal is now planned. Enjoying the same tax rules as those applicable in the ANRU zones, these new districts should make it possible to build new homes on new territories.

Town contracts are made on an inter-community scale, between on one side the government and public institutions and, on the other side, the municipalities and the relevant public entities for inter-municipal cooperation with special tax treatment, the territorial departments and regions in order to implement actions contributing to the achievement of the objectives of the town policy. The priority districts based on town and city policies are located on urban territories and are characterized by a minimum number of inhabitants and an economic and social

development spread assessed on the inhabitants' income (ref. BOI-TVA-IMM-20-20-20-20160203 Nos. 35 and 37).

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 at a distance within 300 meters from these districts. Article 30 of the 2017 Budget Act (Law No. 2016-1917 of December 29, 2016, known as the 2017 Budget Act) changed this distance to 500 meters for developments for which the building permit was filed on or after January 1, 2017, subject to certain conditions. Article 66 of the 2017 Budget Act (Law No. 2017-1775 of December 28, 2017) amended these conditions and provides that the reduced rate now applies upon the signing of the preview protocols in the agreement, and no longer only during the signing of the multi-annual urban renewal agreements with the ANRU. This measure applies to developments for which building permit applications were filed between January 1, 2018 and the signing date of the agreement.

The priority districts were defined in the urban planning and urban cohesion law of February 21, 2014, which became effective 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, 2015. It applies until December 31, 2024.

The incentive also applies to building permits filed between January 1, 2015 and the date of the signing of the inter-community contract, which should have been signed no later than January 31, 2015.

1.1.2.3. New housing market indicators

1.1.2.3.1. Market volume

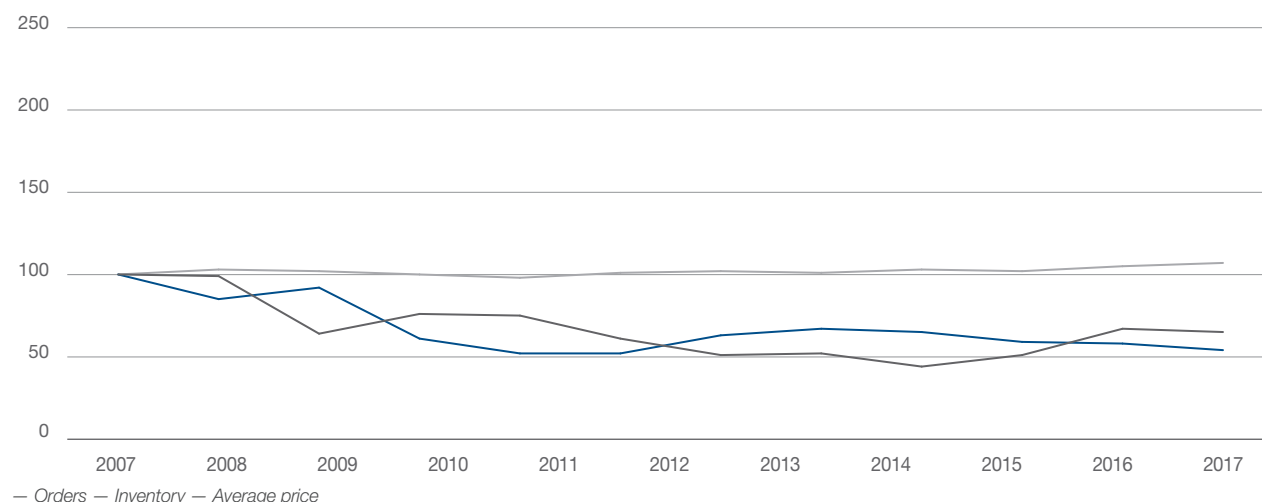
A. Single-family homes in communities

The French market for Single-family homes in communities represented 10,985 orders in 2016 and 10,639 in 2017.

Changes in orders, inventory and average price for Single-family homes in communities over the past 10 years

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Orders	16,478	10,727	12,761	12,752	10,272	8,551	8,841	7,420	8,341	10,985	10,639
Inventories	14,201	15,362	10,341	8,770	8,685	10,557	11,019	10,502	9,141	9,431	8,803
Average price (in euros)	250,548	248,790	243,253	239,305	246,707	250,447	247,715	250,447	248,569	255,729	261,075

THE FRENCH MARKET FOR SINGLE-FAMILY HOMES IN COMMUNITIES (BASE 100 IN 2007)



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

Orders	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Île-de-France	2,386	1,729	1,910	2,215	1,385	1,123	1,421	1,264	1,405	2,085	1,744
Occitanie	2,804	1,672	1,635	1,276	1,265	1,127	1,112	1,034	1,114	1,421	1,414
West ⁽¹⁾	1,893	1,382	1,443	1,840	1,529	933	986	647	685	845	902
Provence-Alpes-Côte d'Azur	1,741	929	1,474	992	803	760	839	790	836	1,013	810
Rhône-Alpes ⁽²⁾	1,579	1,065	1,324	1,896	1,590	1,316	1,203	1,059	1,146	1,306	1,633

(1) Pays de la Loire and Brittany.

(2) In 2017, Rhône-Alpes also included Auvergne following the reorganization of the French regions.

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

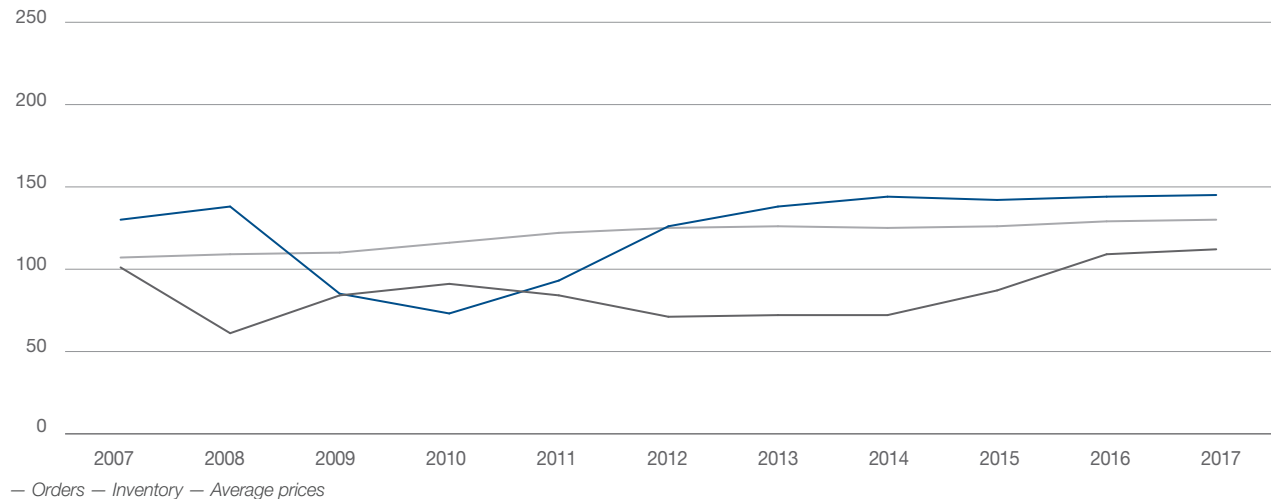
B. Apartments (multi-occupancy housing)

The French market for new apartments represented 116,200 orders in 2016 and 119,178 in 2017.

Changes in orders, inventory and average price per sq.m for apartments over the past 10 years

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Orders	107,461	65,249	89,569	96,733	89,046	75,863	76,684	76,034	91,940	116,200	119,178
Inventories	84,867	90,524	55,387	47,785	60,595	82,327	90,048	94,044	93,176	94,080	95,119
Average price (in €/sq.m)	3,278	3,347	3,359	3,557	3,748	3,844	3,850	3,834	3,873	3,951	3,973

THE FRENCH APARTMENT MARKET (BASE 100 IN 2007)



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

Orders	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Île-de-France	18,472	12,479	16,894	19,637	18,881	20,329	22,090	21,307	24,146	30,987	33,654
Occitanie	14,993	9,224	11,315	11,690	11,711	9,112	8,998	9,053	11,062	12,222	13,990
West ⁽¹⁾	11,987	7,788	10,749	12,498	10,306	7,692	7,392	7,139	9,685	11,707	12,372
Provence-Alpes-Côte d'Azur	13,340	8,695	12,473	14,134	11,777	10,261	9,609	10,105	11,757	13,427	12,934
Rhône-Alpes ⁽²⁾	16,776	11,143	16,281	18,918	16,997	13,282	11,773	12,331	14,545	17,147	17,785

(1) Pays de la Loire and Brittany.

(2) In 2017, Rhône-Alpes also included Auvergne following the reorganization of the French regions.

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

1.1.2.3.2. Inventory of housing units available for sale in France (number of units per quarter)



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

Housing inventory: projected housing, housing under construction and completed housing.

The inventory of housing available for sale remained stable at the end of 2017 (+0.4%) at 103,922 homes as of December 31, 2017, compared to 103,511 homes at the end of the fourth quarter of 2016. This can be explained by a combination of the following elements: During 2017, 129,817 homes were ordered, i.e., an increase of 2.1% in 2017 compared to 2016. Commercial offers in the fourth quarter of 2017 decreased annually by: -4.3% between 2016 and 2017. Cancellations remain at very elevated levels, up 31.9% compared to the fourth quarter of

2016, and concerning close to 3,800 units, i.e., the equivalent of 10.9% of orders. Furthermore, in the fourth quarter of 2017, the completed housing inventory represented respectively 3.7% of apartments and 10.5% of single-family homes, i.e., approx. 4,500 housing units. At November 30, 2017, the group had 41 completed housing units remaining to be ordered which represents less than 1% of its commercial offer compared to 51 housing units for the same period in 2016.

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 unit orders of the main competitors in the market for new housing in France:

Market operators	2017	2016	2015
Nexity ^(a)	18,351	15,893	11,741
Bouygues Immobilier ^(b)	15,199	13,866	11,400
Cogedim ^(c)	11,189	10,011	6,011
Kaufman & Broad	9,027	8,017	6,901
Vinci ^(d)	6,630	5,485	4,189
Icade ^(e)	5,776	5,665	3,999
Les Nouveaux Constructeurs ^(f)	3,369	2,910	2,400

Sources:

(a) Nexity: Press Release of February 20, 2018.

(b) Bouygues Immobilier: "the Condensed version" of the 2017 Registration Document, February 2018.

(c) Cogedim: Press Release of 2017 Results, March 5, 2018.

(d) Vinci: 2017 Annual Report.

(e) Icade: 2017 annual results dated February 12, 2018.

(f) Les Nouveaux Constructeurs: Press Release of February 1, 2018.

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	2017	2016
Grouped homes		
IDF	8.6%	2.9%
Grand Est	0.0%	0.0%
Haut de France	0.0%	2.9%
Normandy	0.0%	0.0%
Brittany	2.9%	0.0%
Pays de la Loire	0.0%	0.0%
Nouvelle Aquitaine	4.3%	2.8%
Auvergne-Rhône-Alpes	0.1%	0.3%
Occitanie	5.0%	6.5%
PACA	4.3%	1.3%
TOTAL GROUPED HOMES, FRANCE	3.0%	2.2%
Apartments ⁽¹⁾		
IDF	8.3%	8.5%
Grand Est	3.0%	3.3%
Haut de France	5.1%	2.7%
Normandy	9.8%	9.3%
Brittany	4.8%	2.9%
Pays de la Loire	5.6%	5.7%
Nouvelle Aquitaine	9.7%	9.3%
Auvergne-Rhône-Alpes	4.7%	3.3%
Occitanie	11.4%	12.2%
PACA	7.9%	7.5%
TOTAL APARTMENTS, FRANCE	7.3%	6.7%
TOTAL HOUSING UNITS, FRANCE	7.0%	6.4%

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

(1) Represents the multi-occupancy housing business activity of the group (apartments, serviced accommodation and hotels).

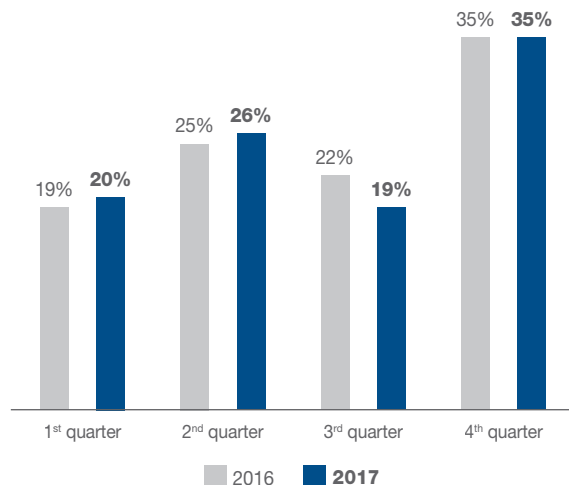
1.1.2.6. Seasonality and the business cycle

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").

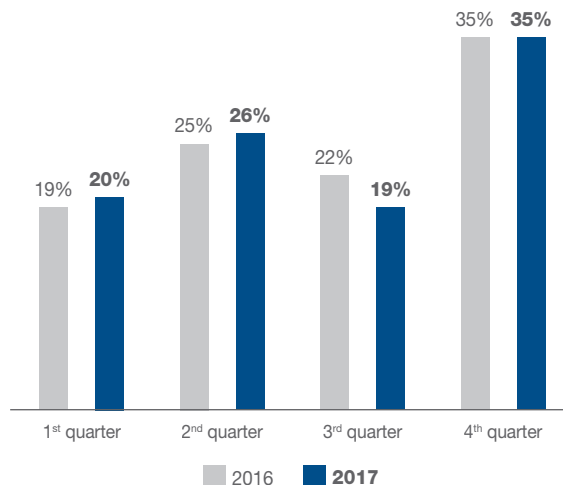
The following shows the group's sales activity, reflected in orders, during the last two fiscal years:

Orders by quarter

MULTI-OCCUPANCY HOUSING



SINGLE-FAMILY HOMES IN COMMUNITIES



See analysis of cycles and seasonality of housing orders in section 2.1.3.1.1.1 «Housing segment» section "Cycles and seasonality of housing orders by product type (in volume)"

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 four operating divisions grouped under two business lines – Housing and Business property. The Housing business line comprises 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, East and Southeast Regions. The Business property business line comprises the Commercial property and Logistics operating division headed by David Laurent.

In addition, Kaufman & Broad has 20 branch divisions: the Île-de-France region (divided into three sectors and five agencies), Loire-Atlantique (in Nantes), Brittany (in Rennes), Upper Normandy (in Rouen), Lille-Flandres, Strasbourg, Rhône-Alpes, Savoie, Côte d'Azur, Provence, Méditerranée (Bouches-du-Rhône), Languedoc-Roussillon, Midi-Pyrénées, Serge Mas Promotion, Pyrénées-Atlantiques and Gironde. Furthermore, in order to strengthen its territorial network, Kaufman & Broad has opened local offices in smaller sized urban areas (Angers, Dijon, La Rochelle, Perpignan, Reims, Tours). The staff in these offices just handle tasks related to developing, arranging and monitoring programs; and marketing if necessary. They have access to the resources of the agencies on which they depend to develop their property projects. The management teams in each of these branches have significant experience in their local markets.

To leverage this local expertise for the group, the agency divisions are given substantial autonomy to identify land, develop sales strategies, implement development and construction activities and control costs. Each agency division has a business development and project management department, a technical department, a sales department and, in some cases, a "Design Space" or 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, Major Urban Projects, Marketing/Digital and Communication, Human Resources, Architecture-Innovation and Quality.

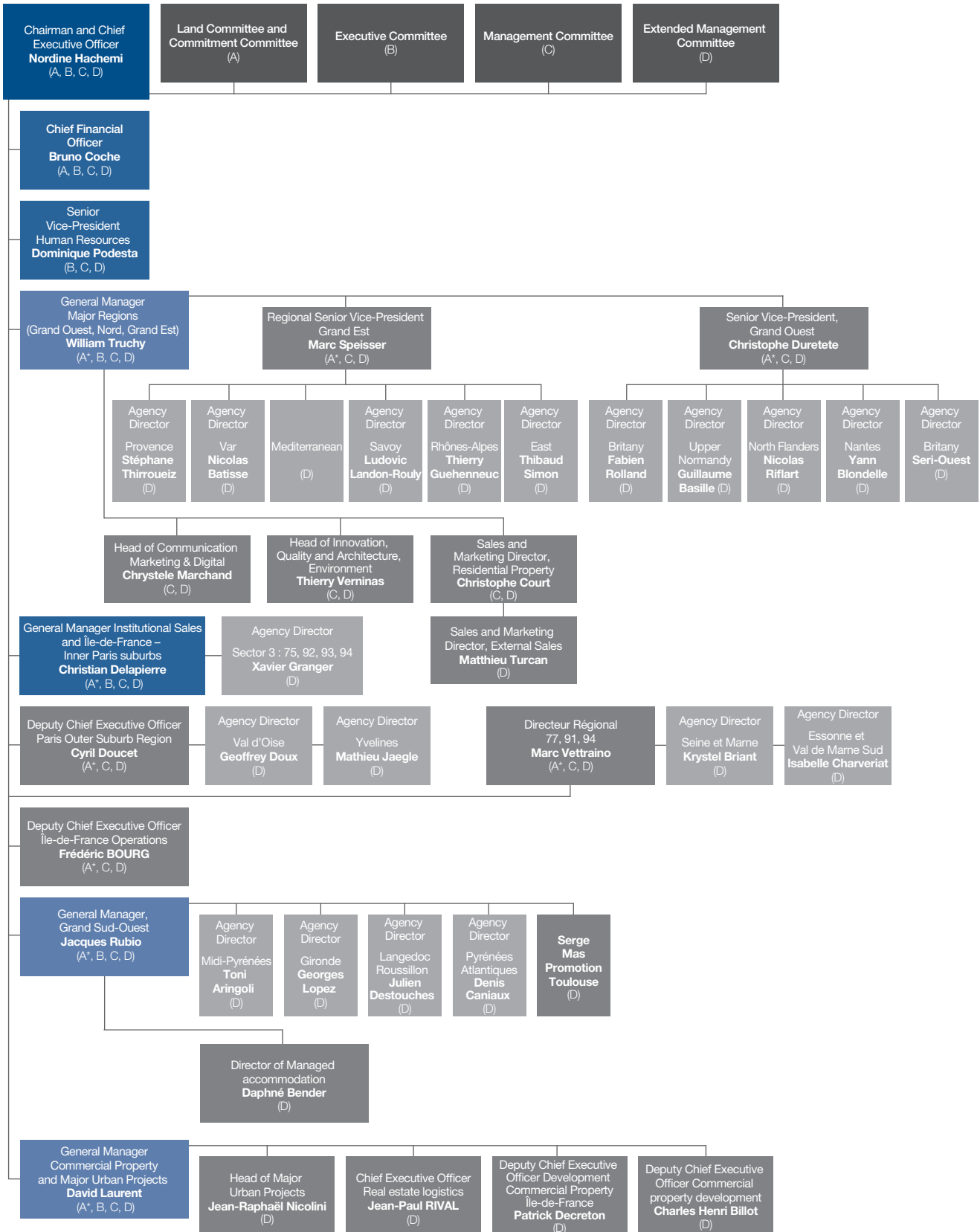
The Company provides its subsidiaries and regional divisions with various administrative and management services, and particularly consulting, in:

- project financing;
- establishment of organizations, recruitment, individual and collective employee management training, career management, salary and payroll policy and personnel files;
- accounting, legal, tax and treasury management;
- processing and installation of information systems;
- assistance and advice for sales to private customers;
- architecture, innovation and quality.

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 intercompany partnership, known as an Economic Interest Grouping, 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 Real Estate, Concerto Développement, Kaufman & Broad Grands Projets, Kaufman & Broad Innovation et Technologies, Kaufman & Broad Marketing et Ventes, 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, Kaufman & Broad Bretagne, Kaufman & Broad Flandres, Safaur, SMP (Serge Mas Promotion), Seri Ouest, Kaufman & Broad Poitou-Charentes, Kaufman & Broad Pyrénées Orientales, Kaufman & Broad Normandie, Kaufman & Broad Est, and Kaufman & Broad Strasbourg – supply the companies running real estate programs with development, management, marketing, and technical assistance services for project owners. In payment for these services rendered, the companies providing them receive fees in accordance with signed agreements. These agreements generally provide for payment 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



A*: Land Committee and Commitment Committee for their Regions.

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 2017, Île-de-France accounted for 35% of the group's revenues from housing with the remaining 65% coming from the Regions.

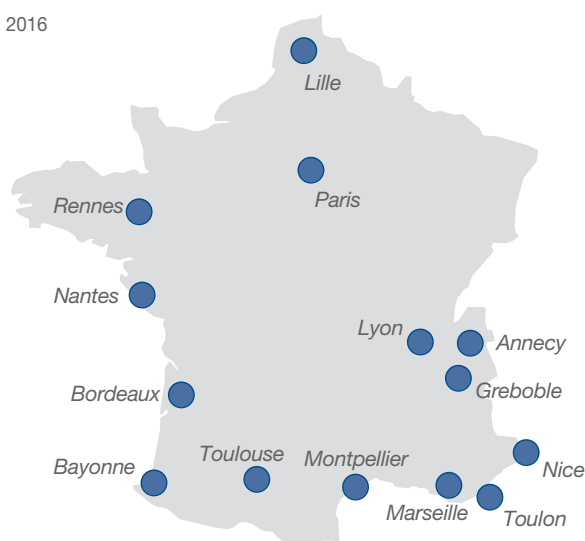
Kaufman & Broad intends to continue to develop its operations in the major economic and demographic regions where it still sees strong

growth potential, such as: Aix en Provence, Angers, Annecy, Bayonne, Bordeaux, Caen, Dijon, Grenoble, La Rochelle, Le Havre, Le Mans, Lille, Lyon, Marseille, Metz, Montpellier, Nantes, Nice, Perpignan, Reims, Rennes, Rouen, Toulon, Toulouse, Tours, Strasbourg and most importantly, in the Île-de-France region.

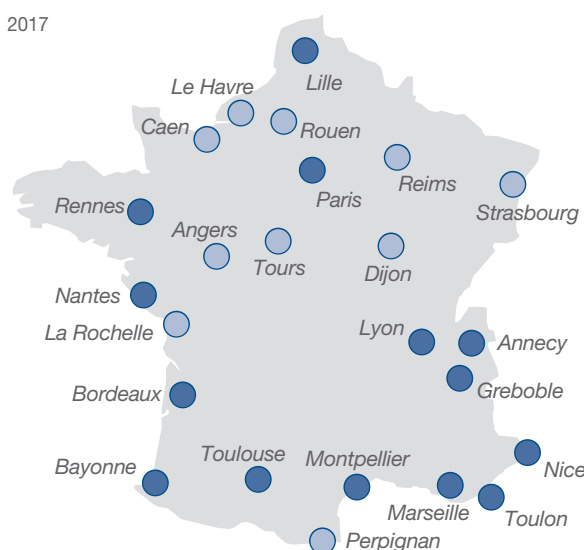
Kaufman & Broad thus considers that the positioning of its various programs across the country is consistent with its identified customer base. Accordingly, Kaufman & Broad has set up operations in ten new cities since 2015: Angers, Caen, Dijon, La Rochelle, Le Havre, Perpignan, Reims, Rouen, Strasbourg and Tours.

The two maps below show the group's current presence in France.

2016



2017



1.1.4. Customers and products

1.1.4.1. Customers

The group's policy is to develop innovative products, both single-family homes and multi-occupancy housing 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 portfolio of customers, 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 loss of interest of second-time buyers in transactions involving new housing units led Kaufman & Broad to realign its strategy and refocus its commercial offer by offering more compact products. These types of product are more tailored to the financial profitability requirements of investors (both institutional and private) and to the creditworthiness requirements for first-time homebuyers, who are not the company's primary customers.

Buyer type	Share of orders (in number)		Share of revenues from orders (excluding VAT)	
	2017	2016	2017	2016
Investor ⁽¹⁾	43%	52%	42%	50%
Block	37%	26%	32%	23%
First-time homebuyer	14%	17%	17%	19%
Second-time homebuyer	6%	5%	9%	8%
TOTAL	100%	100%	100%	100%
(1) Including "Pinel"	32%	42%	33%	42%

In a better economic environment, but where housing demand continues to outstrip supply, Kaufman & Broad's strategy is to increase its business focused on first-time homebuyers who benefit from the "Zero-Interest Plus Loan" program, while continuing to develop products designed for investors under the "Pinel" incentive. Furthermore, in order to better respond to the needs of the market, the group is focusing more on its managed housing designed for tourists, students and older adults, where demand is extremely high. In 2017, a substantial part of the group's orders were for block sales (up 59% in number compared with 2016), and a substantial part was again from investors, which represented more than 40% of its order total, in terms of both number and value. Orders for rental investment made up 42% of revenues (33% of which were under the "Pinel" incentive scheme), compared with 50% in 2016. The decrease mainly reflects uncertainty over whether the scheme will be repeated and whether this would be under the same conditions. First- and second-time homebuyers remained stable at 26% of revenues, compared with 27% in 2016.

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 children, who have a monthly household income of about €3,000 to €4,000. 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" and a 1% employer loan.

Kaufman & Broad considers that first-time buyers of primary residences continue to represent strong business potential, even though orders from first-time buyers in 2017 accounted for 14% of group orders in number and 17% in value, due to their ongoing difficulties in obtaining loans despite the very low interest rates.

The market for second-time buyers consists of homebuyers who already own a home and who buy after selling their home. Typical second-time buyers are 35- to 60-year-old couples 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. Their share in the market has remained low since the 2007 crisis with the number of orders in the group respectively 6% and 5% in 2016 and 2017.

In 2017, the sales price (including VAT) of the group's single-family homes ranged from €187,000 to €652,000. The average price was €365,500 in Île-de-France and €271,700 in the Regions. Living space in these homes ranges from 61 to 145 sq.m, depending on the program (see Section 2.1.3. "Tracking of indicators").

In 2017, the selling price (including VAT) of multi-occupancy housing units ranged from €2,500 to €10,600/sq.m in Île-de-France and fluctuated between €1,400 and €8,500/sq.m in the Regions. The average selling price (including VAT) of multi-occupancy housing units (including parking) was close to €4,300/sq.m in Île-de-France and €4,100/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 multi-occupancy housing units delivered by the group over the past 10 years.

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Average price (in €, incl. VAT)	319,900	307,400	335,600	294,600	301,700	252,500	313,100	381,400	367,000	325,000	365,500
Average area (sq.m)	107	110	113	96	100	80	90	98	88	87	94

Average price of multi-occupancy housing units in Île-de-France and in the Regions

(in €, incl. VAT)	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Île-de-France	249,900	241,900	208,500	226,900	266,900	238,800	207,800	205,800	256,300	225,900	235,800
Regions	185,900	188,000	197,300	197,100	201,420	212,000	198,500	183,700	197,500	194,000	205,800

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 2017, individual investors buying through prescribers, specialized networks or its sales offices generated 43% of its orders in number compared to 52% in 2016. According to the individual investors' declarations of intent, the group estimates that 32% of its orders in number were made under the "Pinel" incentive, against 42% in 2016.

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.

1.1.4.2. Products

Kaufman & Broad's products consist of four classes of products: (i) apartments, (ii) Single-family homes in communities, (iii) managed housing (corporate, tourist, student and serviced accommodations) and (iv) Business property.

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, with its multi-occupancy housing programs, the group encourages architecture that blends in with urban sites, may use well-known architects, and aims to produce functional interiors that optimize available space.

Private homes (multi-occupancy or single-family)

The group offers its future customers who are considering owning an apartment or a house the option of a new apartment or a new house, allowing them to benefit from the many advantages that this type of property offers: enhanced comfort and safety, energy savings (compliant with labels and standards), financing assistance, specific legal provisions, etc.

The benefits are as follows:

- 1) "made to measure" real estate projects: The group offers its customers many options for developing and customizing their homes, such as moving partitions or doors, replacing a bath with a shower, etc. Depending on the progress of the work, dedicated teams may suggest more or less extensive adaptations. Investing in a new home also gives customers the opportunity to personalize their decoration, including paint color, choice of tiles, flooring, etc. The group has showrooms and decoration spaces for this, so that customers can find out about contractual services as well as a wide range of options in the range;
- 2) labels and certifications: Buying a new home means that customers can benefit from a number of labels and certifications, which guarantee quality, safety and energy performance. Certifications and labels on the quality of the building and fittings (Qualitel certification, Vivrelec label). Energy labels and thermal regulations (the BBC label, RT2012, environmental certification: Habitat & Environment (NF) certification, and in some cases NF Habitat HQE certification;
- 3) financing assistance, tax benefits and reduced fees, such as:
 - an interest-free loan (PTZ+): This is an interest-free government advance to finance the borrower's primary residence, and can cover up to 40% of the purchase,

- a government-regulated loan. The latter is not subject to any income conditions. Its interest rate is similar to that of loans in the private sector,
 - the 1% home loan: If the future buyers work in a company with at least ten employees, they can benefit from a 1% home loan. Although this loan is capped at €17,700, it offers an attractive interest rate (1.5% excluding insurance and guarantees),
 - notary fees are reduced for the purchase of a new home, to between 2% to 3% of the purchase price (compared with 7% to 8% for an older property),
 - or, if they buy a new build home as their primary residence in a so-called ANRU zone, buyers can benefit from a reduced VAT rate of 5.5%, compared with 20%. This benefit can be combined with the benefits offered by the PTZ+ loan,
 - tax benefits related to the investment. These government incentives are intended to increase private rental stock while maintaining a social commitment by capping rents. The main system is the Pinel scheme, which allows for a tax reduction of 12%, 18% or 21% of the amount of the transaction in exchange for a rental commitment of 6, 9 or 12 years (see Section 1.1.2.2. "Tax incentives"). However, other regimes applicable to new builds are possible, such as the Censi-Bouvard regime for managed accommodation and the LMNP (non-professional rental of furnished property) regime for furnished apartments,
 - exemption from property tax, as by buying a new home (apartment or single-family home for sale before completion) purchasers may be exempt from property tax for two years from January 1 of the year after construction is completed;
- 4) Guarantees: Various guarantees are provided on new home purchases, such as the:
- money back or completion guarantee,
 - apparent defects guarantee,
 - perfect completion guarantee,
 - two-year good performance guarantee,
 - ten-year guarantee.

1.1.4.2.1. Single-family homes in communities

For 50 years now, the group has developed and marketed the concept of Single-family homes in communities in France. Particular attention has been paid to site selection.

Each community, depending on its size, has different 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 rooms,
 - master bedroom suites,
 - family room,
 - spare rooms, etc.;
- particular attention paid to light and to the optimization of space.

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

These model homes are available in several architectural styles.

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

- detached or semi-detached houses 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 program the group offers solutions focused on and incorporating the following criteria:

- projects that respond to the wishes and needs of customers and communities;
- quality urban planning incorporating eco-friendly ideas;
- minimizing the impact of roadways and vehicle traffic;
- special attention to pedestrian areas and low-impact mobility;
- storm water collection in landscaped bioswales;
- variety of home models, in terms of type, size and architectural design.

In the Regions, the group develops its Single-family homes in communities business with products designed for both first and second-time buyers, at prices ranging from €200,000 to €700,000.

In an effort to keep meeting the expectations 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. Multi-occupancy housing

When developing its apartment programs, Kaufman & Broad is very careful in selecting sites. In Île-de-France, these sites are often located close to public transportation and local services. In the Regions, they are also located in the city centers or inner suburbs of Marseille, Aix-en-Provence, Avignon, Dijon, Angers, Lyon, Grenoble, Annecy, Annemasse, Nice, Cannes, Antibes, Toulon, Saint-Raphaël, Toulouse, Bordeaux, La Rochelle, Bayonne, Montpellier, Perpignan, Béziers, Nîmes, Nantes, Rennes, Le Havre, Rouen, Caen, Lille, Reims, and Strasbourg.

Kaufman & Broad pays great attention to the architecture of its buildings, the design of communal areas (entry hall, stair landings, garden 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 multi-occupancy housing 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 offers its multi-occupancy housing programs under the Kaufman & Broad 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 multi-occupancy housing units 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's products are located on quality sites on the Atlantic, Brittany and Mediterranean coasts and attract a customer base of retirees.

1.1.4.2.3. Managed housing

Kaufman & Broad develops managed housing throughout the country for tourists, students, businesses and older people (non-assisted living accommodation).

The managed housing business is operated by specially selected managers with recognized expertise, a solid reputation and a sound, proven financial position, thus reassuring the owners that their property will be leased. These special purpose housing units are marketed as amortizable investments for non-professional renters of furnished accommodations or under the Censi-Bouvard incentives that enable buyers to recover VAT.

The development of this activity is based on three main strategic areas:

- student housing: The group aims to maintain the level of development in "classic" student housing in order to meet the growing need for homes in this sector, while developing concepts of "new generation" student housing;
- tourist and corporate housing: The group intends to open its identification of land for acquisition to social managed accommodation and to take on board new products such as coliving, youth hostels, etc;

- living accommodation for older adults: 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 the homes it builds and, for people looking for social connections, groupings of housing units for seniors, in partnership with a nationally recognized service provider. These multi-occupancy housing units are offered to private homebuyers, as unrestricted investments or under the Pinel incentive.

In addition, in 2017, in order to better meet the new needs and expectations of the growing aging population (by 2060, almost a third of French people will be over 60, and more than 5 million will be over 85), i.e. that they want to grow old at home, where they have always lived, for as long as possible, Kaufman & Broad has launched an innovative concept called "Cosy Diem". This concept aims to meet this population's need for autonomy and independence and their wish to prolong this autonomy while benefiting from the presence of other people and a friendly atmosphere.

This concept is based on the following elements:

- a personalized coaching program developed with the assistance of G rontop le, to maintain residents' abilities according to their wishes;
- on-site catering based on healthy, organic, fresh products, designed to keep local residents healthy, from short supply chains;
- maintaining social bonds and developing intergenerational bonds, due to location in the heart of cities and the opening of the accommodation to its immediate environment, both geographically and socially (e.g. an accessible local market, stores, partnership with nurseries, etc.).

1.1.4.2.4. Business property

In the past, Kaufman & Broad had a large Commercial property business, an activity that reinforced its strong reputation in  le-de-France. Since 2011, the group has been relaunching this activity at a pace of one or two office programs per year on average and, since the acquisition of Concerto European Developer in 2014, of one or two logistics platforms per year. As part of its business property operations, the group is also looking into the development of hotels and/or commercial premises. The group operates this business either on behalf of third parties (project management contracts and real estate promotion contracts), or on its own behalf with the purpose of selling it, under a strict policy of purchasing land after the entire program has been presold (sale before completion or "VEFA").

For its Business property developments, Kaufman & Broad focuses on meeting the key requirements of:

- users, by designing:
 - high-quality spaces that are a pleasure 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 through the use of high-quality design (up-market buildings), making space flexible and adaptable over time, thus guaranteeing their longevity.

New offices

Every new office complex project is unique. The teams from Kaufman & Broad's Business property division are therefore present at every stage of the project from the design stage to completion, assisting customers, investors and occupants in the creation of a "tailor-made" project. A new office building is the culmination of a painstaking creation process, the combination of strict parameters and decisive choices made in close collaboration with the group's partners, in order to:

- choose the best locations;
- provide responses tailored to the needs of businesses;
- incorporate the requirements of public authorities and investors;
- construct the most healthy and comfortable, economic and virtuous, efficient and profitable buildings.

Redeveloped offices

Since 2010, Kaufman & Broad and Elithis have been in a partnership known as Revivalis , in order to combine their expertise and enter the market for the redevelopment of business property in compliance with France's low-energy consumption standard, BBC-Effinergie R novation. Revivalis  is intended for project owners who want to avoid discounting 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 redevelopment of their buildings.

For the group, the challenges of restructuring can be described as follows:

- creating "Core" assets by repositioning them through their redevelopment in the premium segment of the Commercial property sale before completion market;
- restoring the functional and technical features of new buildings;
- optimizing surfaces and spaces;
- enhancing the charm and authenticity of the original architecture or proposing a new interpretation of the site.

With this in mind, Kaufman & Broad pays particular attention to:

- anticipating the legal and regulatory framework;
- reducing the energy consumption and carbon footprint of the user companies;
- protecting the health of users.

The aim is to make the property attractive again so that a fresh cycle of long-term profitability and optimal liquidity can be found for the real estate assets.

Logistics and business platforms (Concerto)

Concerto, which was established in 1998, is a leading French logistical engineering company. A subsidiary of the Kaufman & Broad group since 2014, Concerto represents a strategic addition to the expertise and know-how of Kaufman & Broad's commercial property segment. It has demonstrated its ability to create value for its industrial customers or distributors by offering them bespoke solutions and projects that respond to the new technical challenges currently faced by logistics businesses.

Concerto offers professionals solutions for real estate/logistics functions to enable them to turn fixed costs into variable costs and stay focused on their core business. In this context, Concerto, with its experience in logistics engineering, designs turnkey projects tailored to the needs of its customers in a spirit of long-term partnership, and carries out the reconversion/rehabilitation of sites close to urban centers. Concerto is active in high value-added logistics sectors in all areas of industry, local logistics (mass retail, retail), and the logistics of new premises.

Hotels

To develop new concepts and diversify its future customer base, Kaufman & Broad places its expertise in hotel project design at the service of the largest national and international brands.

These teams can offer their future customers tailor-made projects so that they can:

- reap the benefits of the growth and globalization of tourism;
- develop new hotel concepts that create more value and are more attractive to their customers;
- respond to urban issues and find their place in the heart of the city.

1.1.5. Marketing and sales

The marketing organization structure of Kaufman & Broad responds to two major strategic goals:

- providing the sales force with a continuous flow of contacts, qualified and mature in their acquisition plans thanks to adapted communication tools;
- improving the acquisition costs and the transformation rates through a rigorous control of the efficiency of the actions taken and a 'test and learn' policy.

For Kaufman & Broad, marketing is a key step in customer experience and one of the important criteria for the customer's final satisfaction. As such, sales support marketing tools are used to address the new usage and expectations of consumers.

1.1.5.1. Sales team

Kaufman & Broad relies on all the sales channels it has available depending on the nature of its offer and with the goal to always find the best marketing costs to take-up rate ratio. These channels are:

Direct in-house sale

At November 30, 2017, these teams consisted of 179 people, including 96 sales representatives with an average of 7.6 years with the group. The majority of the sales personnel earn a fixed salary plus sales

Stores

Kaufman & Broad does not design any program without thinking about the residents, employees, district and uses of each one. The group makes its know-how and expertise in Commercial property available to users and the city, so that ground-floor commercial premises can be developed in housing units or managed accommodation.

1.1.4.2.5. Major Urban Projects

The group believes that the complex project development of major urban projects could provide it with growth potential in the coming years. In 2014, Kaufman & Broad therefore created a Major Urban Projects department, with the aim of supporting and meeting the needs of local authorities in their eco-urban projects. This department is introducing a new model for neighborhood projects that integrate the entire life cycle of the neighborhood from the design stage, by establishing, very early on and for the long-term, a partnership relationship with the local authorities.

The Major Urban Projects department offers a global, concrete response through a structured approach to these issues, in order to create a new generation of sustainable neighborhoods. This approach establishes for each project, in agreement with the local authorities, targets of excellence and measurement indicators which the group pledges to achieve in the long term. The programs vary widely in terms and are based on the belief that a sustainable neighborhood will only be successful if all the components of its ecosystem are coherent.

commission. Kaufman & Broad sees its sales team as highly effective, professional and efficient. It has supervisory personnel and dedicated training that enables it to rapidly adapt to the customers' expectations be they individual investors or future occupants of their purchased property.

Depending on the structure of the offer and the sectors, salespeople can be in-house sales or outside sales. Even though they may be working on the marketing of a dedicated program, they are trained to anticipate and support the customer's needs and are able to present the entire Kaufman & Broad offer. To more closely address the expectations of its customers, Kaufman & Broad has developed the *Boutiks* concept: these are modern multi-program spaces that offer a personalized on-line experience. In 2017, the *Boutiks* were mainly established in Lyon and Nantes (with built-in showrooms), Nice, Rennes, and Aix-en-Provence.

Sales through intermediaries

Kaufman & Broad generally relies on:

- independent wealth management advisors;
- banking networks;
- marketing networks;
- sales platforms which it tasks with the distribution of the products developed by the brand to customers including primarily individual investors. This sales channel is supervised by an internal team of

Managing Prescribers, tasked with leading the team, helping them in the selection of products and their presentations to their customers.

Block sales

Lastly, Kaufman & Broad sells a portion of its production to institutional investors. To do so, its Institutional Sales department, in constant contact with the major social or income-based housing lessors, identifies needs and opportunities and relies on the regional departments to prepare suitable offers.

1.1.5.2. Sales points

Kaufman & Broad is fully aware of the ways in which the advent of the Internet has changed consumer behavior and uses its knowledge to shape its customer experience by adapting its points of sale to fit each marketing stage and the needs of prospects. Accordingly, it implements:

- traditional sales offices at the construction sites. In high-density catchment areas and in centrally-located sites with good visibility;
- pop-up sales offices. Very temporary and custom-built event-driven sales offices that have been set up in relation to a sales launch or to a marketing initiative;
- Boutiks. Open six days a week, centrally located in an urban construction area, they provide a permanent address for the Kaufman & Broad brand in a given geographic sector and can be used to market several developments;
- at the customer's location or at any other location that is convenient for customers based on their schedules and availability;
- decorated show apartments or show homes which are used not only as a point of sale but also as a visualization tool for the products sold.

1.1.5.3. Showrooms

One of the first things that new housing buyers expect is the personalization of their homes prior to delivery. With that expectation in mind, Kaufman & Broad offers a large range of amenities and services intended to help homebuyers make their homes their own. To do so, Kaufman & Broad has set up showrooms for its customers in Neuilly-sur-Seine, Lyon, Toulouse and Fréjus. The showrooms offer Kaufman & Broad customers a broad range of options (carpeting, tiles, hardwood floors, fireplaces, walk-in closets or storage space, bathrooms, kitchens, etc.) in context, so that customers can see their options and make their choices with the help of expert advice. This service is a highly effective way for Kaufman & Broad's customers to experience the combined efforts of the sales and technical departments.

1.1.5.4. Operational marketing and Advertising

Sales leads have three types of sources:

- product-centric single-program advertising campaigns, targeted for specific geographic locations based on the program features, the market and the competition. This type of campaign tends to be used at the time of program launches;
- customer-centric cross-media advertising campaign targeted for specific geographic locations and focused on a specific topic. These campaigns serve the double purpose of feeding data into Kaufman & Broad's prospects database and maintaining or helping to expertly develop its brand image and awareness;
- ongoing acquisition actions using digital sources specifically through SEO and SEM, affiliate marketing campaigns, customer retention and use of new levers provided by data management.

1.1.5.5. Digital tools

All the operational marketing and advertising actions point to digital tools dedicated to client support. In 2016, the main BtoC website kaufmanbroad.fr was revamped which led to:

- more efficient user-intuitive ergonomics;
- a powerful search engine;
- detailed program sheets chock-full of information.

In addition, the company developed presentation and visualization tools such as: presentation applications for touch screen tables, virtual models, presentation of layouts in 3D, virtual apartment or home visits, etc. for all the new programs being marketed.

Kaufman & Broad strives to bring its clients high performance and education tools while avoiding gadget tools whose effect could impact customer perception. Digitalization is also used in the other sales channels and specifically in sales through intermediaries by allowing all contracted partners to use the kbpatrimoine.fr website. This extranet presents the entire offer and provides a number of tools (calculators, selection tools, dashboards, etc.) to the intermediaries making it easier for them to work with their customers. Thus, the offer is also distributed via secured and automated flows on various partner distribution or marketing platforms. Lastly, an extranet site dedicated to order placers, supports the entire customer experience, from order to delivery. This website shapes the relationship between the brand and the buyers with the goal to continuously improve customer satisfaction.

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. Accordingly, the sales administration department sends customers a copy of the signed order contract by registered mail with acknowledgment of receipt. All customers by law then have 10 calendar days from the date of receipt of the contract during which they can reconsider and withdraw.

If they do not withdraw, the sale covered by the order is subject only to the usual conditions of obtaining the related loans and insurance. Potential buyers do not however lose the right to withdraw from the sale by forfeiting their deposits.

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 financing capacity of each buyer and thereby limits the risks of triggering the cancellation clause in sale contracts when financing is not obtained.

To comply with applicable rules and regulations in this matter, Kaufman & Broad has registered several of its subsidiaries with ORIAS as Banking Transaction and Payment Service Intermediaries in the Non-exclusive agents' category.

Accordingly, 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.

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 civil-law 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 to attend 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 sale before completion agreement, the law has given real estate developers the option of calling for payments from customers as and when the works progress toward completion in accordance with a payment schedule governed by law, in exchange for the obligation to issue customers with a Performance Bond (see Section 1.1.10. "Program financing"). Payments 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. The signature of the sale before completion agreements immediately transfer to the buyer the title to the land and title to the building, as and when construction is completed.

In a sale before completion, most of the calls for payments for single-family home programs keep to the following schedule: a 5% order 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 the foundations; 20% on completion of the structural work; 15% on boxing up; 15% on completion of the interior partitions; 10% on completion of the works; and 5% on delivery. Kaufman & Broad may modify this payment schedule for customers as part of periodic promotions designed to increase the rate of sales of certain programs. For multi-occupancy housing programs, in most cases payments are made in accordance with the following schedule: a 5% order 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 the foundations; 20% upon completion of the ground-floor deck; 10% upon completion of the second-floor deck; 5% on boxing up; 10% on completion of external carpentry work; 10% on completion of interior partitions; 5% on completion of the works; and 5% on delivery. Payments are called from customers based on certificates of works prepared by the general contractor. It should be noted, however, that if the deed of sale is signed after 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 payment schedule. Kaufman & Broad may modify this payment schedule 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 escrow account for orders. This amount is held in

escrow until the final signature of the contract of sale, when the group definitively acquires the funds. This amount is returned to the customer if: (i) the contract of sale is not signed within the time specified in the order contract; (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 the amounts provided for in the order contract; (iii) any of the fittings described in the order contract cannot be delivered; or (iv) the building (or the part of the building) that is covered by the order contract 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 there may be.

This department gets involved from the moment the home is delivered and becomes the customers' contact point, providing them with information about 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 10-year guarantee is enforced, the Customer Service Department helps customers contact the relevant construction or insurance companies (for a description of these guarantees and insurance, see Section 1.3.1. "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 housing units. This 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 service). 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 provides accurate customer feedback that enables the group to put in place appropriate strategies for development and innovation.

In 2017, Kaufman & Broad equipped itself with a consulting tool for its customers. A panel of potential buyers that can be polled users throughout the year has been assembled and is monitored by an independent institute "Data2décisions". This panel, assembled from a representative sample (according to the quota method), consists of consumers expecting to buy property within the next three years and living in a customer catchment area of the commercial offer for Kaufman & Broad developments. The panel provides the group with the opportunity to consult its customers at any time in order to conduct a prior test of any aspect of the property project such as: the design of the product, the services and amenities, the architectural concept and interior layout, concepts for new services, various innovations, new uses, communication tools and even special commercial offers. Thanks to this panel, the group should become very responsive, by adapting upstream to the expectations and needs of its customers while monitoring their development.

1.1.7. Development process

1.1.7.1. Single-family homes in communities and Multi-occupancy housing

Programs for Single-family homes in communities and for Multi-occupancy housing are typically developed in four stages: obtaining administrative permits; purchasing the land; sale of the housing units; and 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 time frame for completion of a typical development (completion of roads, utilities connections and construction) of Single-family homes in communities is 12 months on average.

A multi-occupancy housing program takes an average of 18 months, excluding the time needed to put together the project and arrange pre-sales marketing.

1.1.7.2. Business property

The group's Business 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 redevelopment or renovation work, the group is awarded either a real-estate promotion 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 (VEFA), 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 some or all 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 growth 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 purchased) represented a total investment of €221.3 million in 2017, €243.6 million in 2016 and €202.7 million in 2015.

Kaufman & Broad has its own teams specializing in identifying land 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:

- its geographic location (near to 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 where multi-occupancy housing is concerned);
- its surroundings (proximity to job market areas, public transportation and public facilities such as daycare centers, schools, and to stores, cinemas, green spaces and sports facilities such as golf courses, swimming pools, etc.);
- its quality (soil and orientation);
- the group's investment criteria, namely: land on which 15 to 90 single-family homes or developments for 10 to 200 multi-occupancy housing units may be built, 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 being considered for purchase, which generally includes a study of pollution and previous land use, is always 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 of projects 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 for the land (particularly in the case of unilateral contracts of sale).

The Committee members are the Chairman and Chief Executive Officer, the Chief Financial Officer, the Senior Vice-President of the region concerned and the director of the agency.

The file, which is presented to the members of the Committee by the Regional Vice-President generally includes the following information:

- a presentation of the land and its surroundings (location within the community, proximity to stores, public networks and services);
- the nature of the legal commitments under consideration (type of contract of sale or plan for a corporate acquisition; the form and amount of the earnest money);
- a market survey to analyze the local market, the infrastructure, the price of new and existing housing units 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 for each distribution channel;
- a projected construction schedule;
- a balance sheet and cash flow projection based on the provisional sales prices indicated by the market survey;
- the provisional amount of expenses prior to obtaining building permits.

1.1.8.3. Project management and development costs

If a program 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 protection requirements).

The contract includes the following:

- the sale price of the land;
- the terms and 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 purchase option, which must be compatible with the time limits required for obtaining the administrative permits free of objections from third parties, or for the withdrawal of an administrative permit;
- usually, a marketing 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 signature of a bi-lateral contract of sale, if use of this type of commitment has been 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 director 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 with the relevant Departmental Public Works Office (DDE). The normal time required for processing a building permit application is generally three to five months. To this must be added the time for objections from third parties, which runs for two months from posting of the building permit at the construction site and, in some cases, the three-month period during which the mayor's office may withdraw a building permit. 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.

If an objection is filed, the group has three options:

- abandon the project and invoke the non-fulfillment of the condition precedent to obtain a clear building permit provided for in the contract of sale of the land;
- defend the project before the competent administrative court (this solution is rarely chosen because of the long delays caused by these courts' 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 firstly, (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 secondly if (ii) the program's profitability as set forth in the projected budgets has been checked, and thirdly if (iii), the pre-marketing rate is satisfactory.

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.

In the course of the fiscal year, the group follows the sale level of its real estate programs upon completion of the acquisition of land. At November 30, 2017, the average pre-sale rate of the programs under which the land had been purchased during this period was 68% compared to 67% for the same period in 2016.

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;
- projected 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 director of the agency on the order rate, if this is below 50%;
- draft of the notarized deed;
- progress report on the request for tender documents (*DCE*).

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.

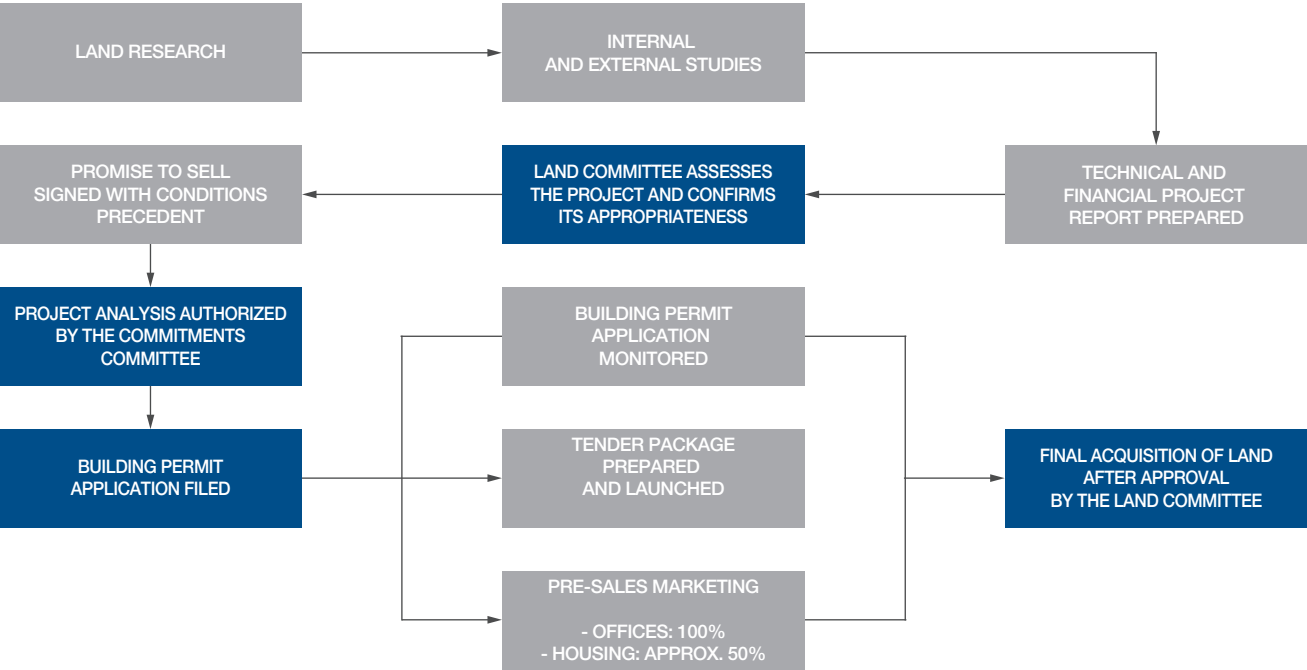
1.1.9.2. Multi-occupancy housing and Business property

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

For Business property, however, the land is not purchased nor is the construction work begun until the entire development has been pre-sold.

For its Multi-occupancy housing and Business 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 director of the agency. Financial balance sheets are submitted at quarterly Committee meetings, by each Regional Vice-President concerned, 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 1.2.1.5.1. "Risks related to the group's debt" and in Section 4.1.5. "Notes to the financial statements", Note 6 "Financing and financial instruments".

To minimize its potential exposure to the decline in the number of institutions able to grant such guarantees to the group, the latter is resorting to a greater number of varied top ranking financial institutions. The main financial institutions of the group are: Crédit Mutuel ARKÉA, the Crédit Mutuel group (CIC, BECM, etc.), the Banque Populaire and Caisse d'Épargne group (Palatine, SOCFIM, Natixis, Caisse d'Épargne Midi Pyrénées, etc.), Crédit Agricole-CIB and Société Générale, BNP PARIBAS, as well as institutions specializing in surety services and insurance brokerage, such as: Atradius, MB cautions.

For sales before completion (VEFA), Article L. 261-10-1 of the French Construction and Housing Code requires that, before signing a duly

authenticated deed of sale, customers receive a performance bond or a financial guarantee for the repayment of any amounts paid in the event that the contract is terminated due to default of completion. Previously, for not-yet-built buildings with building permit requests filed prior to January 1, 2015, such guarantee could be given either by the program itself (through a so-called intrinsic guarantee) or through a bank guarantee (known as an extrinsic guarantee). The intrinsic guarantee option was removed by Order No. 2013-889 of October 3, 2013, ratified by Article 172 (IV) (6°) of the ALUR Law of March 24, 2014.

For all its programs, the group always uses the extrinsic guarantees by obtaining a financial guarantee, for each 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 payment.

1.1.11. Builders and suppliers

Kaufman & Broad's policy is generally to choose all its contractors and suppliers through calls for tenders. This applies both to general contractors in charge of all the works on a project and to individual trade contractors tendering for separate portions of a program.

Kaufman & Broad checks, against available information, the financial position of its contractors and their financing 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, trade contractors are selected and the contracts are signed by type of work and program by program.

Since 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 1.7.4.4. "Business ethics and relations with subcontractors", "Purchasing and subcontracting" 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 multi-occupancy housing programs are also carried out by individual trade contractors. A smaller proportion is awarded to general contractors.

The majority of Business property programs are carried out by general contractors having the expert knowledge for dealing with complex programs and meeting the required deadlines.

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 of the platform 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.

Architects, design firms and land surveyors are selected through competitive bidding 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 using a rating system for 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 contracts.

1.1.12. Intellectual property

1.1.12.1. The Kaufman & Broad brand

The group markets its Single-family homes and apartments under the “Kaufman & Broad” brand, and, as the case may be, under the brands of its portfolio resulting from acquisitions and which benefit from a strong reputation on local markets.

According to an opinion survey conducted by TNS-Sofres in 2015, the Kaufman & Broad brand enjoys the top score overall opinion on the national territory. Such score corresponds to the positioning by the group as a “quality generalist”, developed over several years, especially through its involvement in the quality of construction and in the sales of products.

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 SAS, governed by French law). Licensing agreements were signed, firstly, between Kaufman & Broad Europe SAS and Kaufman & Broad SA and, secondly, between Kaufman & Broad Europe SAS and the main operational subsidiaries of Kaufman & Broad SA. Under these agreements, Kaufman & Broad Europe SAS granted to Kaufman & Broad SA and

its subsidiaries an operating license for its Kaufman & Broad brands, logos and domain names in France for an indefinite duration unless terminated by any of the parties pursuant to a notice period of three (3) months. The license is granted free of charge by Kaufman & Broad Europe SAS to Kaufman & Broad SA in return for a 0.7% license fee (excluding VAT) on the annual amount, excluding tax, of notarized sales made by subsidiaries of Kaufman & Broad SA, payable quarterly (see Section 3.2.6. “Transactions with companies that have directors in common with the Company or other group companies”).

1.1.12.2. Other brands

The group owns other brands which it may use in its operations, in particular Bréguet, SMCI, Park, Frank Arthur, Sefima, First, Sopra, Résidences Bernard Teillaud, Avantis, Malardeau, SM2I, Concerto, Safaur, Serge Mas Promotion and Seri Ouest.

The group also acquired equity interests in the following companies: Serge Mas Promotion (since December 2015), of Seri Ouest (June 2016) now wholly owned (a real estate developer with operations in the large metropolitan areas in the West, Upper Normandy and Lower Normandy, Brittany and Pays de la Loire).

The group also offers packs to its customers, including Etudiantel, Revivalis, Concept Silver, Pack Silver and Pack Success.

1.1.13. Main offices

For the conduct of its business, the group rents offices from third-party landlords in Aix-en-Provence, Annecy, Angers, Bayonne, Bordeaux, Caen, Dijon, Fréjus, Grenoble, La Rochelle, Le Havre, Lille, Lyon, Marseille, Montpellier, Nantes, Neuilly-sur-Seine, Nice, Perpignan, Rennes, Rouen, Strasbourg, Toulon, Toulouse and Tours. These offices are occupied under commercial leases, usually for a term of nine years.

For the companies that were part of the group on November 30, 2017, rents and rental charges totaled €6.8 million (excluding VAT), against €6.2 million (excluding VAT) in 2016 (see Section 4.1.5. “Notes to the Financial Statements”, Note 3.3 “Operational expenses,” “Administrative expenses” paragraph).

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. The occurrence of all or part of these risk factors could, in particular, result in significant differences against the forward-looking statements and other financial data, included in the group's documents filed with the AMF or in any other written or verbal statements. 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 business, results and financial position of 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.

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, consumer confidence, 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. As of the date of this Registration Document, growth is starting to pick up in the European Union, and in France, although it appears to be growing stronger, it is still fragile, particularly because it has not produced the expected effects on unemployment in France, which is still higher than in many European countries. According to INSEE, gross domestic product (GDP) increased by 1.9% in 2017 in terms of volume, after an increase of 1.1% in 2016. In 2017, household consumption expenditure slowed to +1.3%, from +2.1% in 2016. Services consumption increased slightly year-on-year, by +1.8% from +1.6% in 2016, while consumption of goods slowed from +2.4% in 2016 to +1.7% in 2017. At the current pace of GDP growth, in 2018, growth would be up by +1.7% after six months, significantly higher than at the same time a year earlier. However, there are still elements of uncertainty that could slow GDP growth by the end of the year:

- a possible slowdown in the purchasing power of the French;
- unemployment that is struggling to decrease;
- concerns about trends in consumption;
- the increase in the CSG social security contribution that has applied since January 2018;
- the reduction of part of the housing tax that will only apply at the end of 2018.

In addition to the tax breaks for companies that will be implemented immediately and the high-level business investments seen as of the end of 2017, which will necessarily create jobs in the industry in 2018, some positive factors will appear from the end of 2018, such as:

- the reduction in sickness and unemployment insurance contributions will take place in two stages, in January and in October 2019;
- the revaluation of certain minimal allowances.

The major trends of the French markets for the coming years as well as recent developments are presented in Section 2.1.4. "Outlook".

Regarding new housing, buyers decide to purchase real estate based on their ability to make such purchase at the time of purchase, as well as depending on their confidence in their ability to be able to meet their future obligations. Buying a home is a major investment that affects 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. With incomes stagnant in recent years, this ability depends less on households' purchasing power than on their ability to borrow. For companies, the ability to obtain financing, as well as the future profits that may be generated from the exploitation of its property are also important factors when choosing to acquire a property.

The demand for properties sold by the group depends 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.) as well as the economic inflation rate are likely to have a direct impact on the level of demand for property for sale. The group's operating income could be significantly impacted should demand decline due to, among other things, difficulties faced by potential homebuyers to finance their purchase.

For several years now, the group has benefited from a favorable environment, characterized by low mortgage rates and relatively long maturities for its housing activity. A future decrease of the mortgage rate is unlikely considering the historically low levels recently recorded in a market environment already competitive between banks operating in real estate financing. An increase in interest rates may thus result in an increase of mortgage rates.

Furthermore, the sale price of real estate depends on the rate of return expected by investors, which depends on the variations of long-term interest rates. An increase of the long-term interest rate may result in an increase of the rate of return expected by investors and thus downward pressure on sale prices; such changes may lead the group to abandon or reschedule some real estate projects which may adversely affect its development.

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 and renewed in 2018 for four years.).

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 time frame 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 the prices of housing units are set several months before their delivery in accordance with the terms of contracts for sale before completion. In addition, the level of the 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, lower demand or longer construction deadlines could postpone the recognition of profits of 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 group's inability to anticipate or to adapt to the changes

in these trends would materially affect its business, results of operations, financial position and outlook.

Furthermore, 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 12 to 18 months after the first signs of improvement of the economic conditions. Conversely, if 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 serviced housing (tourist, student and corporate housing and non-assisted living accommodations for older adults) and the service sector which could partially reduce its exposure to the cyclical nature of new housing in France.

Such diversification could, however, 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 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 (see Section 1.1.6. "Sales method"); while for housing programs, the group usually becomes committed to housing programs after a pre-sale rate of 50% has been reached, against 100% for Commercial property;
- second, the cost of land is proportionately greater for Commercial property than for the Housing segment, insofar as such land is usually located near city centers where it is 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 the Housing segment. As a result, over a given period, the group's gross margin may be impacted by the Commercial property-Housing product mix 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 canceled 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.

Finally, the group's business activities are somewhat seasonal (see Section 1.1.2.6. "Seasonality and the business cycle"). Business is generally stronger in the second and fourth quarters, particularly in the Commercial property segment, closely related to the activity of the services sector, leading generally to fluctuating revenues during these periods, which could have a material impact on our results. Thus, unpredictable events on the last months of a given year may adversely affect the level of the group's business and results.

The main features of the macroeconomic environment in which the group conducted its business activities in 2017, 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 2018 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, among other things, 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. Accordingly, the total provision for risk was €8.2 million in the group's Consolidated Financial Statements at November 30, 2017. However, such provisions may not be sufficient to cover the default by 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 for each transaction from a bank or from certain insurance companies (see Section 1.1.10. "Program financing"). The enforcement of these bank guarantees may represent a significant financial burden for the group. In addition, an increase in the number of enforcements of these guarantees may result in an increase of the cost of the guarantees for the group and/or adversely impact, in the future, its ability to obtain new bank guarantees which could have a materially adverse effect on its capacity to finance its projects. A major decline affecting the real estate market, such as a financial crisis, could result in a decrease in the

number of financial institutions likely or willing to grant such guarantees to the group and/or an increase in the cost of such guarantees and/or in additional constraints being imposed on the group. The difficulties to obtain such extrinsic guarantees could limit its ability to sell the building before completion in the protected sector of housing and could have a material adverse effect on the business and results of the group. Finally, the group may be exposed to counterparty risk in case of the failure of a credit institution having granted such bank guarantees.

1.2.1.4. Risks relating to the insolvency of suppliers and other companies

The group relies on numerous suppliers and other companies to carry out its operations. The financial difficulties or even the insolvency of certain of these companies (should they go into court-appointed receivership or liquidation) could have a material adverse impact on the group's business and, in particular, slow construction or increase costs. It could also have a negative impact on the proper discharge of the guarantees (see Section 1.3. "Insurance and risk management"). The group may also suffer adverse consequences, particularly in terms of its image if its suppliers and subcontractors breach or violate an obligation.

The same risk exists concerning its partner in the case of co-promotion.

1.2.1.5. Liquidity risks

The Kaufman & Broad group is not subject to public financial rating by the rating agencies. The group's management of liquidity risks is described in Section 1.3.2.1.5. "Management of liquidity risks".

1.2.1.5.1. Risks related to the group's debt

The group uses debt to finance its operations, land acquisitions and real estate development programs.

On April 4, 2016, the Company entered into a Senior Facilities Agreement (the "2016 Senior Facilities Agreement") with a syndicate of international banks. Under the 2016 Senior Facilities Agreement, the group has syndicated loans under a Tranche A (the "Tranche A") for a maximum principal amount of €50 million and a Tranche B (the "Tranche B") for a maximum principal amount of €150 million, as well as a revolving credit facility for a maximum principal amount of approximately €100 million (the "RCF"), i.e., a total maximum amount of approximately €300 million.

On May 18, 2017, as part of a private placement made with institutional investors in Europe, Kaufman & Broad issued its first "Euro PP" bond for €150 million. This private placement breaks down into a €50 million seven-year tranche maturing in May 2024 at an annual fixed rate of 2.879% that is payable on May 31 of each year, and a €100 million

eight-year tranche maturing in May 2025 with a fixed annual interest rate of 3.204% payable on May 31 of each year. This bond enabled the group to repay €100 million in existing senior debt early, including the entire repayment of the Senior (A) line for €50 million and €50 million on the Senior (B) line to bring its residual amount to €100 million, and provide the group with new financial resources to support its growth.

At November 30, 2017 the amount of the group's cash and cash equivalents stood at €221.1 million, to which is added €100 million in an undrawn revolving credit facility, taking Kaufman & Broad's financing capacity to €321.1 million. Lastly, the total amount of the group's debt totaled €254.2 million, for a net debt of €33.1 million.

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

- 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;
- 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 refinancing;
- adversely affecting the terms of loans negotiated with creditors;
- limiting its ability to plan its expansion with flexibility; and
- affecting its competitive positioning, where 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. In addition, Kaufman & Broad SA is a holding company without any business activities of its own, other than the holding of securities of its subsidiaries. Thus, Kaufman & Broad SA depends on the capacity of its operating subsidiaries to generate cash flows in order to repay loans through the payment of dividends or intra group loans.

In the event of insufficient liquidity to service its debt, the group could be forced to reduce or delay acquisitions or investments, sell assets, refinance its debt or seek additional funding, which could have an adverse effect on its operations or financial position. The group may not be able to refinance its debt or obtain additional financing on satisfactory terms.

INFORMATION ABOUT THE GROUP'S BUSINESS ACTIVITIES

Risk factors

At November 30, 2017, the group's main debt facilities were as follows:

(in € thousands)	Debt capacity	Use as of November 30, 2017	Repayment	Type	Rate ⁽¹⁾
Senior Facilities Agreement April 4, 2016					
Facility B	100,000	100,000	Bullet repayment in April 2021	Floating	E ⁽³⁾ + 275 to 300 BPS
RCF ⁽²⁾	100,000	–	Bullet repayment in April 2021	Floating	E ⁽³⁾ + 250 to 275 BPS
Bond issue May 18, 2017					
Bond issue seven years	50,000	50,000	May 2024	Fixed	2.88%
Bond issue eight years	100,000	100,000	May 2025	Fixed	3.20%
TOTAL	350,000	250,000	–	–	–

(1) 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.

(2) Revolving credit facility.

(3) The margin applicable depends on the level of the financial leverage ratio.

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, 2017.

(in € thousands)	Book value at November 30, 2017											Book value at Nov. 30, 2016
	Less than one year		From 1 to 2 years		From 2 to 3 years		From 3 to 5 years		More than 5 years		Total	
	Interest	Repay- ments	Interest	Repay- ments	Interest	Repay- ments	Interest	Repay- ments	Interest	Repay- ments		
Borrowings and financial liabilities												
Syndicated credit lines	2,378		2,378		2,378		814	100,000			100,000	200,000
Credit facilities and other borrowings	3,923		3,923		3,923		3,923		12,169	150,000	150,000	
Other borrowings	2,475	4,489	2	53							4,542	4,599
TOTAL	8,776	4,489	6,303	53	6,301	0	4,737	100,000	12,169	150,000	254,542	204,599

A payment schedule for contractual payments of the financial liabilities reported in the balance sheet at the period-end date can be found in Section 4.1.5. "Notes to the financial statements", Note 6 "Financing and financial instruments" paragraph 6.2.3. "Management of liquidity risk" in the notes to the Consolidated Financial Statements.

The group's debt facilities presented in the table above are part of the 2016 Senior Facilities Agreement and the bond issue of May 18, 2017.

It is stated, under this agreement, that the loan for Tranche B of the 2016 Senior Facilities Agreement is repayable on its maturity date, i.e., April 29, 2021 at the Euribor floating rate with a margin of 2.75% to 3.00% and for the bond issue, a €50 million seven-year tranche maturing in May 2024 at an annual fixed rate of 2.879% that is payable on May 31 of each year, and a €100 million eight-year tranche maturing in May 2025 with a fixed annual interest rate of 3.204% payable on May 31 of each year.

The 2016 Senior Facilities Agreement provides that the payment of interest is based on an interest rate equal to EURIBOR (with a floor at 0% per annum) plus a margin which will depend on the group's leverage ratio, as follows:

Financial leverage ratio ⁽¹⁾	RCF ⁽²⁾	Tranche B
Superior to 1.0	Margin of 2.75% per year	Margin of 3.00% per year
Lower than or equal to 1.0	Margin of 2.50% per year	Margin of 2.75% per year

(1) Net Financial Debt (a), 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 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 liabilities (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) Net financial Debt (a), divided by adjusted shareholders' equity (c);

- (c) adjusted shareholders' equity = consolidated shareholders' equity at November 30, 2015; plus aggregated income from December 1, 2015 to the end of the relevant quarter; less dividends paid for the relevant period; plus the aggregated impairment charge for the period from December 1, 2015 to the end of the relevant quarter.

(2) Revolving Credit Facility.

these Section 4.1.5 "Notes to the consolidated financial statements", Note 6.1.2. "Gross financial debt".

1.2.1.5.2. Risks related to covenants in financing agreements

The 2016 Senior 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 2016 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;
4. materially change the nature of their operations; and
5. grant guarantees or sureties.

For example, 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. These restrictions could also 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.

Moreover, the 2016 Senior Facilities Agreement states that some of the group's excess cash (75% (or 50% if the leverage ratio is less than or equal to 1.5) of the portion of excess cash over €5 million) is, under certain conditions, to be used to prepay part of the credit lines, starting with the end of the fiscal year ended November 30, 2017.

Furthermore, the 2016 Senior Facilities Agreement states that, for each accounting half year from November 30, 2016 until the agreement expires on April 29, 2021, the group is required to comply with two ratios, calculated on a consolidated basis, with levels redefined as follows:

Ratios at each six-month period-end (syndicated credit line)	Threshold
Financial leverage ratio ⁽¹⁾	≤ 3.0
Debt/Equity ratio ⁽²⁾	≤ 2.5 at November 30, 2016
	≤ 2.5 at May 31, 2017
	≤ 2.5 at November 30, 2017
	≤ 2.0 at May 31, 2018
	≤ 1.75 at May 31, 2019
	and at May 31, 2020

(1) Net Financial Debt (a), 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 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 liabilities (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) Net financial Debt (a), divided by adjusted shareholders' equity (c);

- (c) adjusted shareholders' equity = consolidated shareholders' equity at November 30, 2015; plus aggregated income from December 1, 2015 to the end of the relevant quarter; less dividends paid for the relevant period; plus the aggregated impairment charge for the period from December 1, 2015 to the end of the relevant quarter.

Kaufman & Broad Homes SAS and Kaufman & Broad Europe SAS granted guarantees (subject to the usual limitations protecting their corporate interest) in respect of loans borrowed by the Company under the 2016 Senior Facilities Agreement.

Lastly, pursuant to the terms of the Bond Issue, at the end of each six-month accounting period starting from November 30, 2017 and until the expiry of the Bond Issue, the group is required to comply with the following two ratios calculated on a consolidated basis, with levels defined as follows:

Ratio at each six-month period end (Bond issue)	Threshold at date
Financial leverage ratio ⁽¹⁾	≤ 3.0
Debt/Equity ratio ⁽²⁾	≤ 2.5

(1) Net Financial Debt (a), 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 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 liabilities (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) Net financial Debt (a), divided by adjusted shareholders' equity (c);

- (c) adjusted shareholders' equity = consolidated shareholders' equity at November 30, 2016; plus aggregated income from December 1, 2016 to the end of the relevant quarter; less dividends paid for the relevant period; plus the aggregated impairment charge for the period from December 1, 2016 to the end of the relevant quarter.

These ratios will cease to apply after the company obtains at least a BBB- rating from Standard & Poor's and/or Baa3 from Moody's and or BBB- from Fitch.

These restrictions could reduce the flexibility of the group in the conduct of its operations.

Moreover, the group may not be able to meet the commitments, covenants and/or financial ratios described above, in particular because of circumstances affecting the real estate market or a decline in its operating performance or profitability. However, failure to comply with such covenants could constitute default under the 2016 Senior Facilities Agreement and/or Bpnd Issue, which could in turn allow the lenders and/or the bears of the Bond Issue to call for accelerated repayment of all amounts borrowed, interest, and fees under the contracts and trigger any guarantees associated with the seizure of all group assets and/or the forgoing of any future financing by 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 request 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 2016 Senior 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 2016 Senior Facilities Agreement.

The 2016 Senior Facilities Agreement and Bond Issue 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 2016 Senior Facilities Agreement and Bond Issue, a change of control would occur (i) in the event of a sale, transfer or other disposal (other than a merger, consolidation or similar transaction), in one or more related transactions, of all or a substantial part of the group's assets or (ii) if a person or group of persons acting in concert for the 2016 Senior Facilities Agreement (other than PAI Partners or any person acting as guarantor bank in connection with the partial sale of its equity interest by Financière Gaillon 8 or any shareholder approved by a majority of lenders) acquires (directly or indirectly) more than 33.33% of the voting rights of Kaufman & Broad and the mandatory tender offer resulting from the crossing of that threshold: (a) was not recommended by the Company's Board of Directors or (b) was recommended by the Company's Board of Directors and was completed successfully.

In the event of accelerated repayment of the amounts due under the 2016 Senior Facilities Agreement, the group may not have sufficient assets for full repayment. The occurrence of such events could have a material adverse effect for the group.

1.2.2. Market risks

Due to its exclusive presence in France, Kaufman & Broad is not impacted by country (with the exception of its dependence on the French market) 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 were to decrease, thus reducing the funds available to finance operations and future commercial opportunities.

Under the 2016 Senior Facilities Agreement, the group set up hedging instruments to cover interest payment relating to at least 50% of the amounts due under the Senior Facilities Agreements (Tranches A and B) so that these amounts would be reduced proportionally by any voluntary or mandatory repayment made by the Company. Interest-rate hedges

were made by way of instruments listed on organized markets or over-the-counter with high-quality counterparties.

Since the implementation of the 2016 Senior Facilities Agreement, and the fixed rate Bond Issue of May 18, 2017, Kaufman & Broad has renegotiated part of its hedging instruments (swap) in order to cover the portion of its floating rate debt. Since the €150 million fixed-rate bond issue and the repayment of €100 million on the 2016 syndicated credit lines, the share of exposure of the group's debt to interest rate risks has fallen from €200 million to 100 million; and only represents 40% of the Kaufman & Broad's gross debt.

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 swaps (floors). The latter are derivatives hedging the cash flows. They are marked to market on the balance sheet. However, there is no assurance that the group's hedging policy will have the intended effects, especially in the event of a default by its counterparties.

The following table sets forth the details of the portfolio of one-month swaps paying Euribor against fixed-rate receiving swaps as of November 30, 2017.

Type	Notional amount (in € millions)	Fixed rate	Repayment		Type	Market value at November 30, 2017, (as % of nominal)	Market value at November 30, 2016, (as % of nominal)
			Start date	End date			
EUR 1M fixed rate swap	10	0.5000%	November 28, 2014	November 30, 2017	hedge	–	(0.89)%
EUR 1M fixed rate swap	20	0.5000%	November 30, 2014	November 30, 2017	hedge	–	(0.89)%
EUR 1M fixed rate swap	20	0.2975%	May 31, 2017	April 01, 2021	hedge	(0.62)%	–

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, 2017 was -€82 thousand.

Following the swap effectiveness tests, conducted on November 30, 2016, the swaps were disqualified, resulting in the spread of the hedging reserve over the remaining term. The new swap issued over the period is considered effective.

Interest rate sensitivity of assets and liabilities

(in € thousands)	Base	Book gain/loss 50 bps increase	Book gain/loss 10 bps decrease
Syndicated loan lines (B) ⁽¹⁾ – Senior Facilities	100,000	(500)	100
Bond Issue	150,000	0	0
Credit facilities and other borrowings ⁽⁴⁾	2,212	(11)	2
Cash ⁽³⁾	221,065	589	(118)
Investment securities	–	–	–
Swap ⁽²⁾	20,000	100	(20)
NET IMPACT ON INCOME BEFORE TAX	–	694	(139)

(1) Assumptions: 1-month Euribor interest rate of -0.372%.

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:

- increase: -€511 thousand;
- decrease: +€102 thousand.

(2) 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: -€411 thousand;
- decrease: +€82 thousand.

(3) Banks, available cash and reserve balances.

(4) Excluding issue costs and fair value of derivatives and accrued interests

Type of instrument	Floating/Fixed	Less than one year	From 1 to 5 years	More than 5 years
Syndicated lines of credit	Floating		100,000	
Bond Issue	fixed			150,000
Credit facilities	Floating	1,757		
FINANCIAL LIABILITIES		1,757	100,000	150,000
Bank balances and cash on hand	Floating	218,125		
Short-term investments	Floating	0		
Order balances	Floating	2,940		
FINANCIAL ASSETS		221,065	–	–
Net position before risk management		(219,308)	100,000	150,000
Swaps			(20,000)	
NET POSITION AFTER RISK MANAGEMENT		(219,308)	80,000	150,000

1.2.2.2. Equity Risks

The Company has only limited risk to equities risk because:

- the marketable securities held by Kaufman & Broad consist of money-market mutual funds (SICAVs) 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 May 11, 2017"), i.e., to be used mainly for the bonus share plans, the cancellation of the shares by the Company, acquisition of shares to be held and subsequently delivered in payment or exchange in external growth transactions, or under the

liquidity agreement. The outcome of stock purchases and bonus share allocations are respectively described in Sections 5.2.3.2. "Summary of share purchases and sales" and 5.2.3.3. "Summary of bonus share awards and sales." The impact of these shares and price fluctuations combined is described in the Notes to the Consolidated Financial Statements (Section 4.1.5. "Notes to the financial statements," Note 7.1. "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 related to regulations applicable directly to the group

There are no specific regulations governing the group's business of developing and building single-family homes in communities, apartments and offices.

Nevertheless, the group does have to comply with numerous regulations in the conduct of its business. Any amendments to such regulations could have material negative 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 negative 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 occupancy plans in force, 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. The increase in the number of standards has generated a growing complexity for the development of real estate projects, the additional costs related to new obligations, which could lead to longer delivery times for the group's real estate programs and an increase in the number of objections from third parties and could, therefore, affect the group's earnings.

As a seller of housing units, the group must comply with the 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 ten 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 timetable for calls for funds or payment.

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 2-year and 10-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 10-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 repair claims against the group, which may in turn hold the contractor liable for construction defects. This system of guarantee 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 housing units and to their successors upon sale of the property. In the case of compensation, insurers will subsequently make claims against the manufacturers and their insurer in order to recover the advanced indemnities (see Section 1.3.1.1. "Mandatory insurance").

This insurance and other forms of insurance related to the group's business are described in Section 1.3.1. "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. According to the French Labor Law which aims to fight against undeclared work and the employment of foreign employees without title, the group works to ensure that the project managers will meet their obligations of vigilance. In this regard, the French Labor Code stipulates a civil penalty (tax payment and charge shared with the contractors) and/or criminal penalty (fines and/or imprisonment). Thus, the technical services of the group shall verify that the contractors and the subcontractors meet their Social Security contribution obligations, before the signature of the contract and also six months during the performance of the contract, and shall request the project manager's declaration certifying that they will not employ

workers in an irregular situation. Such stipulations are intended to fight against the risks of undeclared work.

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 (see Section 1.1.8.4. "Commitment Committee") or even being compelled to abandon programs whose design has generated costs for the group. Where certain projects are abandoned, the group may be compelled to pay forfeitures or compensation for loss of use under land management agreements related to such programs.

Implementing the policies described in this section, may expose the group to the risk of having to pay material amounts and it may have a negative effect on its image and reputation.

1.2.3.2. 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, from real or alleged defects in the quality of services it provides or from any other alleged irregularity. Such proceedings could also result in orders to pay significant amounts, in damage to the group's image and/or the Kaufman & Broad brand and/or a decrease in the demand for its products and services, which could have a material adverse effect on the group's business and its results. Proceedings that would expose the group to significant amounts could divert the attention of its executives from running the group's operations.

Details of the main ongoing litigation proceedings are described in Section 1.4. "Current litigation" as well as in Section 4.1.5. "Notes to the Financial Statements", Note 8 "Provisions for risks and liabilities".

1.2.3.3. Risks related to the tax incentives that may affect the new housing market

There has been a succession of tax incentives since the end of the 1990s that have had varying degrees of influence over new housing construction, depending on their application conditions (see Section 1.1.2.2. "Tax incentives").

Like all the players in this market, Kaufman & Broad benefits from the tax incentives aimed at encouraging investment by private individuals. Such measures are limited in time. The substitution of such measures by the less favorable measures, the absence of the substitution, the elimination of, or a change in, certain benefits in favor of in favor of the acquisition of new housing, rental investment or in favor of the acquisition of the property could have a major negative impact on the real estate market

and especially on sales volumes or on new housing prices and therefore, adversely affect the Company's business and/or profitability.

These tax incentives might change or be amended following legislative or regulatory changes or even a change in parliamentary majority.

1.2.3.4. Risks related to 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. The group may be affected by the changes in urbanism tax regulations (including office building fees and land-planning fees).

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.

1.2.3.5. 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 8.3 "Guarantees and bonds given" (see Section 4.1.5. Notes to the Consolidated Financial Statements).

The group's main off-balance sheet commitments consist of earnest deposits for building lots, Performance Bonds and financial covenants.

1.2.3.6. Risks related to the 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 (see Section 9 "Report of the Chairman of the Board", IV.3. "Information Systems") to protect these data and to comply with the regulations of the French Data Protection Authority (Commission Nationale Informatique et Libertés), 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 in a way that would cause the group's business, income and financial position to suffer a material adverse effect.

In addition, the Group has begun a mission to identify the different data processing procedures carried out in connection with its activities in order to ensure compliance with the European regulation on data protection.

1.2.3.7. Risks related to changes in IFRS accounting standards

The Group's consolidated financial statements are prepared and presented in accordance with International Financial Reporting Standards (IFRS). Any change in these accounting standards could have a significant impact on the presentation of the Group's results and financial position. Some IFRS standards have recently been revised by the International Accounting Standards Board. In particular, the implementation of IFRS 9 (Financial Instruments) and IFRS 16 (Leases) could have an impact on the way the group prepares and presents its consolidated financial statements.

IFRS 9 is the new standard on financial instruments. This standard must be applied in fiscal years beginning on or after January 1, 2018 and is expected to replace most existing IFRS provisions, including IAS 39. The primary features of the new standard are the stipulations relating to the classification, assessment and impairment of financial instruments. The new standard also contains specific provisions on hedge accounting. The group has decided to apply this standard as of the fiscal year beginning on December 1, 2018. The impact of the possible effects of IFRS 9 on the group's consolidated financial statements is currently being examined. This impact cannot as yet be estimated because it will depend

on the financial instruments the group holds and the economic conditions at the time the standard is adopted, as well as the accounting decisions that the group will make in the future. However, the group does not expect any significant impact on its consolidated financial statements.

IFRS 16, which will apply as from January 1, 2019 to replace IAS 17, will mainly eliminate the distinction between «operating lease» and «finance lease» for lessees. As a result, lessees will be required to record all leases with a term of more than one year in a manner similar to the terms currently in use for finance leases, including recognizing an asset and liability for the rights and obligations created by a lease. The group will apply this standard no later than the financial year beginning on December 1, 2019, but is considering the possibility of applying it early on December 1, 2018. The application of IFRS 16 should impact the group's operating income, financial income, fixed assets and net debt. Assets involved mainly concern premises and equipment used by the group's employees. The quantified impact of the application of this standard is being examined by the group.

In addition to these new standards, the International Accounting Standards Board may make further modifications or additions to IFRS documents in the future, which the group will have to adopt and which could have a significant impact on the presentation of its results and financial position.

1.2.4. Industrial, economic and environmental risks

1.2.4.1. Risks related to competition

The housing development-builder business is highly competitive. The group faces competition in land acquisition, the selling prices for its products and access to subcontractors from both national and regional builder-developers (see Section 1.1.2.4. "Principal competitors"). The market for resale of houses and apartments is also a source of competition.

The competitive conditions encountered by the group may, among other things:

- 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. If the group is not able to face the competition in an efficient manner, it could lose the market share and its profitability would be affected.

1.2.4.2. Risks related to the 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 does not consider itself particularly dependent on any customers, suppliers, patents, licenses, new manufacturing processes or contracts.

In fiscal year 2017 as a whole, its top 10 customers, who are mainly real estate companies and institutional customers, represented 19% of revenues and 14% of the 2017 total orders.

Its top 10 suppliers accounted for 20.7% of flows billed by suppliers in fiscal year 2017 and the leading supplier accounted for 5.9% 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 and, in relation to this, it may be exposed to risks inherent in its construction costs. To best understand such risks, the group has a "controlled" process in the conducting of business, which is used to validate strategic and financial suitability prior to engaging in a real estate program (see Section 1.1.7. "Development Process" et seq.). The group relies on estimated preliminary cost budgets and technical studies and issues tender documents before land is purchased. Despite this decision-making process, the group 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 material negative impact on the program's financial equilibrium.

Furthermore, the group is aware that when real estate prices are high, there is a tendency for higher costs to carry over to construction, due to the lack of availability of contractors or an increase in contractors' own expenses (rise in the costs of materials and increasingly rigorous regulatory standards, particularly when it comes to safety and the environment). In addition, significant changes in the prices of raw materials (mainly concrete, steel and cement) used in the construction of buildings sold by the group could have a significant impact on the group's construction costs. This could have a material 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 call for tenders process. This process, carried out through tender documents, creates competition among short-listed companies to carry out the works and therefore also contributes to the control over cost price of operations. However, 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 as well as the group's ability to identify and acquire these lands. Increased competition (stimulated, in particular, by a significant rise in land prices as a result of the current practice of land sale by auction, among other things, specifically when sold by auction by a local authority) or a decrease in the land available in certain areas

that meets the group's standards could have a material negative impact on the group's development and ability to reach its goals.

1.2.4.6. Risks related to the discovery of archaeological 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 negative financial consequences for such programs.

1.2.4.7. Risks related to biodiversity and protected species

An impact study must be conducted for certain development projects, depending on their nature, size and location, 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 – CNPN), 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 have a material negative impact on the program and its financial integrity, by the delays in its schedule, or because of additional costs relating to special technical arrangements, or by jeopardizing the suitability of certain plots for construction.

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 the group could acquire, at the completion of any relevant preliminary inspections, real property requiring moderate rehabilitation expenses. In such cases

the group obtains 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 its 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 also its ability to borrow, because of the inability to use the affected property as collateral.

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 unit 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 perils that might threaten the continuity of its operations. However, the partial or total physical destruction of the group's information systems could lead to a system shut-down and thereby have a negative impact on its

continued business. The group is also exposed to the risks of loss, theft and compromise of data.

1.2.4.11. Risks related to acquisitions

In recent years, the group has carried out acquisitions, stakes and disposals in order to develop its market share (see Sections 1.1.1. "History" and 1.1.1.3. "Acquisition strategy").

However, the group might not be able to identify the suitable companies, make acquisitions on satisfactory terms and conditions or meet the obligations stipulated in the relevant acquisition/ disposals' agreements. Furthermore, although the group might ensure the successful integration of the purchased companies, it cannot guarantee that it will be done according to the anticipated schedule. In addition, it might also have difficulty to preserve key skills identified during the acquisition process or producing the expected synergies within the expected deadlines. The group could bear charges and liabilities which have been undisclosed by the auditors during the acquisition process as well as integration costs higher than initially estimated.

The occurrence of one of these risks could have a material adverse effect on the financial situation or the results of the group.

Furthermore, the acquisitions made by the group can be reflected in the Consolidated Financial Statements through the recognition of goodwill, representing the expected future economic benefits of such assets. A downward revision of expected benefits resulting from the changes of the macroeconomic situation, may result in an impairment of goodwill which could have a material adverse effect on the financial position and the results of the group. At November 30, 2017, the amount of goodwill was €68.5 million (see Note 5.1 "Goodwill" to the group's consolidated financial statements at November 30, 2017, which appears in Section 4.1. "Consolidated Financial Statements at November 30, 2017" of this Registration Document).

1.2.5. Other risks

1.2.5.1. Risks related to dependence on key personnel

The group is dependent on certain key executives, the loss of whose services might have a negative impact on the group's ability to achieve its business growth objectives. The senior executive team, whose members have been with the group for an average of 15.11 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 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 Management Committee and those responsible for managing regional businesses.

1.2.5.2. 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 incurs a risk of loss of knowledge or skills should any of these employees leave the Company.

The group may not be able to quickly hire experienced replacements and this could have a negative impact on its organization and create additional costs associated with the training of new hires.

1.2.5.3. Risks related 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% (see Section 1.1.9. "Land development and monitoring the construction"), 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.

1.2.5.4. Counterparty risks

The counterparty risks incurred by the Kaufman & Broad group primarily concern suppliers and subcontractors, customers and banking counterparties. Default by any of these counterparties could have a negative impact on the group.

For programs developed jointly with partners, the consequences of measures that the group may have to take to deal with an economic downturn (such as those it had taken in 2009 or a reduction in sale prices resulting in the sharp deterioration of the profitability of its operations), could 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").

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

The group sells a range of different products under one brand, Kaufman & Broad. Over the past years, the group has diversified the range of products marketed under this brand, particularly in response to difficult macroeconomic conditions that changed the behaviors of customers. Thus, the group's offer now extends from housing intended for the most modest incomes to very upmarket housing units; 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 alter the brand image that

the group wants to promote. In addition, considering the increase in number and diversity of the customers and/or prospects (individuals, companies and private and institutional investors, local authorities), the group is exposed to image and reputation risk in the event of a serious defect, proven or not, in the quality of the services provided.

Furthermore, the group's agencies can, to some extent and independently, organize their own advertising campaigns and marketing initiatives to supplement the national campaigns, and could therefore project an image that might not be aligned with the group's strategy, despite the existence of a common national corporate identity. Moreover, in the event of a real or alleged defect in the quality of services provided by the group, the latter would be exposed to image and reputation risk.

Finally, the development of social media, blogs and discussion forums contributes to the higher image risk for the part pertaining to the individual audience and more specifically to e-reputation.

1.2.5.6. 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 or even subscribe to such coverage. This could increase its risk exposure and costs, which in turn would have a negative impact on its business, profitability and growth. Finally, since insurance premium rates depend on the claim, an increase in the claim could lead to an increase in the premium paid by the group and/or have an impact on the coverage risk level.

1.2.5.7. Risks related to potential fraud, scams and corruption

Kaufman & Broad is exposed, as all companies, to potential fraud, scams and embezzlement or corruption. These could cause the group direct or indirect financial damages by affecting the financial flows exchanged between Kaufman & Broad, its customers, its stakeholders; they could also affect the reputation and the financial interests of the group. Despite preventive and awareness raising actions, as well as the important place occupied by the fight against fraud in the internal audit work program, Kaufman & Broad cannot fully eliminate the risk of fraud.

1.2.5.8. Risks related to the group's shareholding structure

On the date of this Registration Document, Financière Gaillon 8, a company ultimately controlled by funds managed by PAI Partners no longer appears in the share capital of the company. Financière Gaillon 8 successively sold 43% of the Company's share capital in April 2016 and 17.76% in February 2017 through private investments and the balance of the share capital of the company in May 2017. To the knowledge of the company, with the exception of the Artimus Participations company, a company held by certain directors and employees of the group chaired by Mr. Nordine Hachemi, Chairman and Chief Executive Officer of Kaufman & Broad SA (who incidentally, held about 25% of the share capital and voting rights of Artimus Participations) who holds 10.43% of the share capital of Kaufman & Broad SA, there is no company holding directly or indirectly more than 10% of the share capital of the company.

Since the withdrawal of Financière Gaillon 8 from the company's share capital, the float volume represents more than two-thirds of the

Company's shares. A significant portion of these shares are held by many investment funds with various investment profiles. Their allocation decisions between the different asset classes (equities, bonds and cash) are made by committees or trustees specific to each country concerned, depending on the market outlook and expected return characteristics. Expectation by the latter of results lower than their expectations or of more unfavorable economic or regulatory situations could lead to an early disengagement decision on their part. This would be accompanied by significant reselling of the Company's shares which could result in high volatility in its share price. The volume of the float combined with the large volumes of sales that would accompany it could adversely affect the group's share price.

In addition, the holding of a significant portion of the Company's share capital by investment companies through funds managed and/or ultimately held by funds or on behalf of other investors makes the perception of its capital control more difficult for the Company. This situation, coupled with a large number of shares outstanding, could lead to a change in the Company's control through a concerted action or the buyback of a block of shares.

1.3. Insurance and risk management

1.3.1. Insurance

1.3.1.1. Mandatory insurance

Pursuant to the regulations governing their business as builder-developers described in Section 1.2.3.1. "Regulations applicable directly to the group", the companies of the group take out the mandatory insurance required by Law No. 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 10-year guarantee. 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 10-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.

The Structural Defects and CNR insurance policies with AXA France IARD and SMABTP have been in place since January 1, 2014.

Their cost totaled €7.023 million (i.e., 0.50% of consolidated revenues) for the fiscal year ended November 30, 2017.

Since January 1, 2010, the group companies engaged in the project management business have been covered by a special Public Works Engineering policy covering project manager professional liability for 10 years, underwritten by Allianz IARD since January 1, 2014.

The premiums paid under that policy in the fiscal year ended November 30, 2017 totaled €0.045 million (i.e., 0.003% of consolidated revenues).

1.3.1.2. Other insurance related to group activities

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

1.3.1.2.1. 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 as by people, equipment, real estate and animals used in the conduct of its business for which it is liable.

They represented a cost of €0.47 million in fiscal year 2017 (i.e., 0.034% 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., 7.05% of consolidated revenues).

1.3.1.2.2. Comprehensive Construction insurance and Real Estate Agents' Liability Insurance

The group has optional Comprehensive Construction insurance and Real Estate Agents' 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.

Their cost totaled €1.008 million (i.e., 0.07% of consolidated revenues) for the fiscal year ended November 30, 2017.

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 1.3.1.2.1. "Developer's Liability Insurance".

1.3.1.2.3. 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.

1.3.2. Risk management

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 internal control and risk management systems in force within the Kaufman & Broad group are more specifically intended to ensure:

- management action, decisions and/or the execution of transactions, as well as the behavior of the staff, comply with statute and regulations;
- the group's Executive Management's instructions and priorities are applied;
- the Company's internal processes, especially those contributing to the safety of assets function properly;
- the accounting, financial and management information disclosed to corporate bodies and external parties is presented fairly.

The Internal Control System implemented by the group's Executive Management provides for 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 Executive Management is an essential element in identifying risks to the Company.

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

1.3.2.1. Management of industrial, economic and environmental risks

1.3.2.1.1. Management of risks related to the economic crisis

The selective approach to location and the continuous adjustments to the definition of the products offered for sale by the Company have enabled the Company to maintain its business in a weakened and uncertain general environment. 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.

1.3.2.1.2. Management of risks related to joint-development programs

The group, through its Internal Control System has an internal control process that covers 13 themes broken down into 26 separate procedures, including land acquisition, management of cash calls and customer collections, monitoring trade receivables, debt management, preparation and control of a real estate program budget and the process for preparing projections, recognition of revenue and inventories as completed, order management, progress rate, supplier payment, purchasing, management of project-end (for principals involved in real estate programs; see paragraph IV.2. "Internal Procedures" Section 9.2. of the report of the Chairman of the Board). Joint development programs are not exempt from compliance with these procedures and specifically, the selection of land.

1.3.2.1.3. Management of risks relating to bank guarantees for sales before completion

To minimize its potential exposure to the decline in the number of institutions able to grant such guarantees to the group, the latter is resorting to a greater number of varied top ranking financial institutions. The main financial institutions of the group are: Crédit Mutuel ARKÉA, the Crédit Mutuel group (CIC, BECM, etc.), the Banque Populaire and Caisse d'Épargne group (Palatine, SOCFIM, Natixis, etc.), Crédit Agricole-CIB and Société Générale, as well as institutions specializing in surety services and insurance brokerage, such as: Atradius, MB cautions, etc.

1.3.2.1.4. Management of risks related to the insolvency of suppliers and other companies

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 (see "Relationships with suppliers" in Section 1.7.4.4.2. "Purchasing and subcontracting", "Selecting companies and suppliers" paragraph). In addition, for several years, Kaufman & Broad has been engaged in a process to centralize its purchasing and to standardize its procedures for the selection of suppliers, at group level. Centralized purchasing makes it possible to develop long-term relationships with suppliers signing a framework agreement with the group. This is also a means for Kaufman & Broad to assess the financial soundness of the companies with which the group enters into agreements and to forge lasting relationships (see "Business ethics and relations with subcontractors" paragraph in Section 1.7.4.4. "Business practices and ethics").

1.3.2.1.5. Management of liquidity risks

Appropriation of financial resources and a liquidity risk analysis are taken into account by Management and the Finance Department in the conduct 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.

1.3.2.2. Management of legal risks

1.3.2.2.1. Management of risks related to regulations applicable directly to the group

To minimize its exposure to these risks, the group has a Legal Department which is in charge of regulatory and legal matters, whether corporate or operational. In operational matters, this includes, among other things, support and advisory services to support and operational units in structuring real estate programs, in particular for the preparation of contracts and transactions. In corporate matters, the Legal Department is responsible for all aspects of legal monitoring of all the group's entities as well as for the internal oversight of compliance with new standards and regulations and their interpretation with the support of external consulting firms specializing in legal matters.

1.3.2.2.2. Management of risks relating to litigation proceedings

The risks inherent in such proceedings are insured on the terms described briefly in Section 1.3.1. "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 the group's past experience.

1.3.2.2.3. Management of risks related to the tax incentives that may affect the new housing market

To be able to adapt to the changes in tax incentives followed by the group, the latter has a Tax Department which addresses all tax matters, whether corporate or operational. This department is centralized and reports to the financial department, but it also relies on referrals to the Legal Department at the head office and in the regions. Its duties include, among other things, providing tax oversight for the group specifically in relation to any developments related to its business activities. Finally, the group supplements these arrangements by resorting to external consulting firms specializing in tax matters.

1.3.2.2.4. Management of risks related to off-balance sheet commitments

Internal control procedures implemented to identify and manage these off-balance sheet commitments are detailed in Part 3, paragraph 3 of the report of the Chairman of the Board of Directors on Corporate Governance and internal control (Section 9.2. "Report of the Chairman of the Board of Directors").

1.3.2.2.5. Management of risks relating to the protection of personal data

To protect these data, opening to the outside of group applications of a confidential and/or sensitive nature is not allowed. Protection rules as well as advanced firewall systems have also been implemented. Finally, for the data processing systems open to outside users, reinforced security systems have been put in place. In addition, Kaufman & Broad has appointed a Data Protection Contact Person (CIL). The CIL is in charge of advising company professionals at Kaufman & Broad, spreading a "Data Protection" culture within the Company and of monitoring compliance of their activities in matters of personal data.

In addition, the Group has begun a mission to identify the different data processing procedures carried out in connection with its activities in order to ensure compliance with the European regulation on data protection.

1.3.2.3. Management of industrial, economic and environmental risks

1.3.2.3.1. Management of risks related to the real estate market

To be able to anticipate as early as possible any tensions related to the availability of real estate properties needed for the production of its programs, the group has developed a management tool for its property inventory, in which the land corresponding to the selection criteria set by the group must be included (see Section 1.1.8.1. "Selection of land"). Finally, the Land Committee establishes the criteria applicable to the land that must be included in the group's property inventory and approves the strategic and financial relevance of programs under consideration and the estimated budget for preliminary expenses and authorizes the payment of an order deposit (particularly in the case of unilateral sales commitments, see Section 1.1.8.2. "Approval of projects by the Land Committee").

1.3.2.4. Management of other risks

1.3.2.4.1. Management of risks related to IT systems

To prevent this risk, the group has set up a business continuity plan providing for the prompt recovery of data and a back-up center with appropriate work stations designed to be used by the staff affected by any such incidents (see Section 9 "Report of the Chairman of the Board", paragraph IV.3. "Information systems").

1.3.2.4.2. Management of risks related to human resources

The group is aware of the importance of know-how and performance of its employees and tries to attract the right people and talent in a uniform manner throughout the group by offering ambitious career opportunities and building with them a strong group culture. To do so, the group uses various approaches in the management of human resources, such as on-boarding procedures, training and support for young new hires in the Company, annual interviews, and career reviews to identify talent and ensure that the Company culture and know-how are passed on (see the group's CSR Charter).

1.3.2.4.3. Management of risks relating to program management

The group has within its Internal Audit structure a process for the approval of commitments in a real estate program. 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 (level and status of sales, technical feasibility, cash plan, etc. See Section 1.1.8. "Land purchases" et seq.).

1.3.2.4.4. Management of counterparty risks

Because of the large number of suppliers and subcontractors, the group considers their insolvency is unlikely to have any material impact on the business. Moreover, 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 civil-law notary, generally after finance for the property purchase has already been secured.

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.

In addition, the group invests its cash and cash equivalents and its investment securities with top-tier financial institutions. Finally, it enters into interest rate agreements with leading financial institutions.

1.3.2.4.5. Management of risks related to attempts of fraud, corruption and scams

The group only carries out transactions with top ranking financial intermediaries and only through secure remote transmission software and it does not engage in e-commerce with its customers. Furthermore, the majority of financial transactions conducted by the group as part of its operations are carried out either through civil-law notaries for land acquisitions or by signing deeds for sale (before completion), or with financial institutions that allow financial flows based on calls for payments approved by our customers.

Furthermore, the group exercises strict control over its methods of payments which are all centralized at the group's head office.

1.3.2.5 Fraud and cyber risks insurance

As part of the obligations linked to the entry into force of the Sapin 2 Act, the Group decided to update its Code of Ethics and to create two related procedures: the Whistleblowing procedure and the disciplinary sanctions procedure applicable to all employees of the Group as of January 1, 2018. Further details about these procedures are provided in Section 1.7.4.4.1 "Compliance and ethics at Kaufman & Broad".

1.4. 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).

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 4.5. "Notes to the financial statements", and Note 8 "Provisions for contingencies and losses – Contingent liabilities – Guarantees" et seq. 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.

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.

1.5. Investment policy

1.5.1. Research and development

On July 10, 2007, the Licensing Agreement signed by 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. Since then, Kaufman & Broad SA has become the owner of the trademark, logo and know-how previously held by KB Home. The transfer process is described in Section 1.1.12.1. "The Kaufman & Broad brand".

For the Kaufman & Broad group, development expenses are mainly related to property development programs. Development expenses comprised 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 (see Section 4.1.5 "Notes to the financial statements" in Note 5.2. "Other property, plant and equipment", paragraph entitled "Research and development costs").

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 housing units), 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.

The Innovation, Quality and Architecture department was created within the group in September 2015 in order to define a product offer that stands out, meets the technical quality criteria and is adapted to new uses.

This department is key to fostering a culture of innovation. It is based on a Network of Innovation Contacts made up of the various business line managers in each Group agency. One of the objectives of this network is to encourage sharing of know-how between the agencies. Innovation also means partnerships with start-up incubators or accelerators, such as Paris&Co or Immowell-Lab, dedicated to promoting well-being through real estate. Kaufman & Broad therefore takes part in start-up selection committees. If some of these start-ups are working on issues identified by the Group, the Innovation Department may choose to conduct experiments with them on a few property projects in order to test their solution and analyze feedback from buyers and users. In the event that these experiments prove conclusive, the Group may incorporate the solution into its service offer and generalize it in its programs. After a nine-month experimentation phase, Kaufman & Broad has announced the commissioning of the trading platform offered by start-up ChouetteCopro for all future residential real estate programs delivered in Île-de-France. ChouetteCopro is a computer app for reporting and tracking the handling of incidents in communal areas. It facilitates the flow of exchanges between the occupants, managing agent, co-ownership management committee and companies acting within the same condominium. The experiment has continued in Kaufman & Broad's regional agencies.

Another experiment is also under way in Île-de-France with Karos, which offers a short-distance carpooling app. The aim of this service is to improve the accessibility of real estate programs and facilitate the daily journeys of buyers and users by connecting carpoolers.

In this way, the private car can become a public transport solution in areas with scant public transport or a mobility solution that supplements existing transport networks. Increasing the number of passengers in each vehicle, helps reduce traffic and the associated carbon emissions.

Well-being through real estate, Immowell-Lab's theme, has been identified by the group as a lever of innovation in its analysis of a certain number of collaborations to conduct testing in order to broaden Kaufman & Broad's service offer.

The group develops urban projects with certain large scale symbolic mixed-use programs. Right in the center of the Toulouse region, the "Lagrange" development spans 21,400 sq.m with multi-occupancy housing, a tourist facility, an assisted-living retirement home, and stores. The development in the "Polaris" block in Nantes is another example, with six buildings on 35,000 sq.m, including an 18-floor tower, a Vatel hotel management institute and campus, student housing, 5,000 sq.m of offices and stores, and 250 housing units. With the creation of the Major Urban Projects in 2015, the group positioned itself as a turnkey developer and development promoter.

One primary focus for the group is the use of wood in construction as a sustainable, eco-friendly, and sound low carbon material. A partnership has been forged with Techniwood, a company that designs, manufactures and sells bio-sourced industrial construction panels. This partnership culminated in Bordeaux with SILVA, a 17-floor tower with a giant timber-frame primary structure that is more than 80% wood.

No material research and development costs are currently pending.

1.5.2. 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 and related fees, taxes, the cost of roads and infrastructure, the cost of construction and development of show home 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 title to the land and the building is transferred to the purchaser as and when the building is constructed. In addition, revenues are recognized in accordance with, among other things, 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 current programs is thus reduced as construction stages are completed, on the basis of projections made by program (see Section 4.5. "Notes to the financial statements" in Note 3.4. "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.) (see Section 4.1.5. "Notes to the financial statements", and Note 5.3 "Property, plant and equipment" et seq. of the notes to the consolidated financial statements). These investment flows relating to operations for the entire group amounted to €5.8 million in 2017 compared with €6.4 million in 2016 and €4.5 million in 2015;
- 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 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 equity interests in programs developed jointly, when the opportunity arises and if the program is of financial interest

to the group (see Section 4.5. "Notes to the financial statements" in Note 2.1.2. "Equity-accounted joint ventures and affiliates" et seq. in Note 4.1.5 to the consolidated financial statements).

Subject to the investments and stakes mentioned above, the group made no major investment during fiscal year 2017.

1.5.3. 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.

1.6. Main subsidiaries and affiliates

See "Organization Chart" in Section 5.3.4. "Group organization chart."

1.7. Sustainable Development

By 2050, six billion people worldwide will be living in urban areas, according to UN Habitat forecasts. These forecasts mean that we have to adapt and make the urban model more resilient in the face of global challenges such as climate change, connectivity, the well-being of occupants and inclusiveness.

The construction sector accounts for nearly 25% of domestic greenhouse gas emissions; the design, construction and use of both new and existing buildings is therefore a strategic challenge in terms of meeting national reduction commitments in this field.

As 55% of the world population is urban and French people spend on average more than 80% of their time indoors, the design of housing and offices determines the environment and quality of life of users. The comfort and well-being of occupants therefore represent a central concern for the group and a source of innovation.

The Group's policy falls more specifically under two of the UN's Sustainable Development Goals:

- "Make cities and human settlements inclusive, safe, resilient and sustainable"; and
- "Take urgent action to combat climate change and its impacts".

Aware that the real estate development business has 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 drivers. The gathering and centralization of such 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's non-financial reporting complies with Articles R. 225-104 and R. 225-105 of the French Commercial Code for fiscal year 2017. Pursuant to Decree No. 2012-557 of April 24, 2012 implementing Article 225 of Law No. 2010-788 of July 12, 2010 (the Grenelle 2 Law) and Article 12 of Law No. 2012-387 of March 22, 2012 (the Warsmann Law), Kaufman & Broad publishes and has audited some of its non-financial performance indicators for this financial year. The published CSR indicators changed for 2017, in accordance with Law No. 2016-1088 of August 8, 2016 on labor, modernization of social dialogue and professional career security and with the publication of Decree No. 2016-1138 of August 19, 2016 implementing Article L. 225-102-1 of the French Commercial Code on environmental information provided by companies.

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 making the associated challenges part of its business cycle.

1.7.1. Group CSR policy

Description of the group's activities

For almost 50 years, Kaufman & Broad has been developing and building new single-family homes in communities (grouped homes), apartments, serviced accommodation (including corporate, tourist and student housing and non-assisted living accommodations for older adults) and hotels, as well as business property in France (offices, retail space and logistical warehouses).

Challenges and responsibilities for real estate developers

As a developer-builder, Kaufman & Broad is involved in the entire property chain and guides the operation from design to sale:

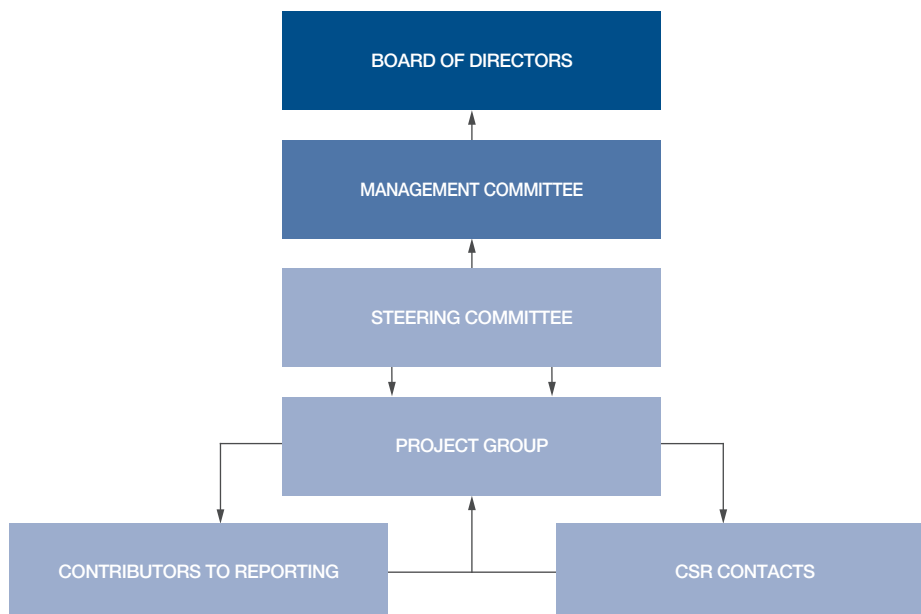
- identifying land for acquisition and land development;
- designing buildings;
- overseeing construction/development; and
- delivery and customer service.

The developer in charge of coordinating all the providers involved in the operation thus has a complete vision of the program. This position gives the developer a role as arbiter between the various interests and the responsibility of contributing, with its completion, to town policy and the fight against global warming.

One of the specific aspects of the promoter's business lies in the fact that while the group has a direct influence on certain matters (choice of land or building design criteria and type of certification, except in joint developments); for others, it only has an indirect influence – contractor practices on the building site through the criteria in the initial technical specifications when the works contracts were awarded, or by influencing the behavior of the occupants of buildings, since this can only occur when the order is placed and/or when the keys are delivered.

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

Organization dedicated to sustainable development



CSR is managed centrally, at the group's headquarters. This function reports to the Innovation, Quality and Architecture department, which presents and takes these subjects to the Executive Committee.

The CSR strategy is defined in consultation with general management, representing group regional, agency and business line management.

This strategy is deployed and implemented across the various business lines, in conjunction with the operational teams, by establishing cross-cutting projects on issues identified as priorities by the group, particularly certification, customer satisfaction and innovation.

Kaufman & Broad has defined the various issues and responsibilities that exist in the relationships it has with its stakeholders in its Corporate Social Responsibility Charter. The group has taken this reflection and formalization effort further by mapping its stakeholders and creating a materiality matrix of its CSR issues in view of the non-financial performance declaration (Order No. 2017-1180 of July 19, 2017 and Decree No. 2017-1265 of August 9, 2017).

CSR assessment

In 2017, Kaufman & Broad decided to have its sustainable development performance assessed by responding to recognized questionnaires in the field. The aim is not only to have the group's performance recognized, but also to guide the improvement of indicators in a sector comparison perspective and by analyzing and integrating external expectations as much as possible. The group has therefore joined the GAIA index, and ranks among the top 70 companies among the 230 small and mid caps reviewed.

1.7.2. Environmental information

1.7.2.1. 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, and economic and demographic development.

Since the SRU Law on Solidarity and Urban Renewal (Solidarité et au Renouvellement Urbains) of December 13, 2000, the municipalities define Local Zoning Plans (Plans Locaux d'Urbanisme or PLUs) and the public entities for inter-municipal cooperation develop Territorial Consistency Rules (Schémas de Cohérence Territoriale or SCOTs) which become mandatory 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 Earthquake Resistance Regulations, which entered into force on May 1, 2011; the Flood Risk Prevention Plan; and the Risk Prevention Plan (Plan de Prévention des Risques or PPR). The PPR, which is an appendix to the PLU, defines building land on the basis of natural hazards (floods, avalanches, landslides, forest fires, etc.).

However, the SCOTs and the PLUs are not yet sufficiently clear about 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 the loss of topsoil and of the 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 the outline plan is being prepared. When the building permit is being organized, the town's sanitation departments are consulted and studies of soils and permeability are carried out to determine the appropriate retention and

Kaufman & Board also responded for the first time to the Carbon Disclosure Project, which contributes to the reflection on the group's environmental strategy.

The non-financial information published in this section is also audited by KPMG, in response to the requirement to have an independent third party (Order of May 13, 2013) verify the completeness and accuracy of the social, environmental and societal information published in the management report.

foundation type. In compliance with the municipalities' regulations 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 Water Protection Law case report must be prepared. Surveys and tests of water quality are conducted in order to find out whether a cleanup is needed.

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

Soil and subsoil quality and pollution

Before purchasing any land, the group instructs specialized firms to conduct a study of the quality and pollution of the soil and subsoil, and of the site's construction history.

Kaufman & Broad first appoints a consulting firm to perform an additional pollution assessment on the land and prepare a methodological note. A contractor is then given the task of cleaning up the site if the assessment is negative. The group pays particular attention to its situation analysis and pollution removal action, especially where soils at risk, such as clayey soil or land located in a brownfield area, are involved (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 2017, training courses entitled "Soil surveys: how to analyze a report", and "Management of polluted sites and soil" were thus provided to employees.

Discovery of archeological remains

Any project may be affected by an archeology protection measure. Depending on the program, the group ensures that the land is not affected by any archeological plans by asking the Regional Directorate of Cultural Affairs (DRAC). This approach enables the developer to be informed about the possibility of carrying out a preventive assessment. Depending on the risk, such information can be provided in advance, prior to the signing of the contract of sale, which contains a condition precedent on this subject.

If the DRAC believes that a preventive assessment report is necessary because the land may contain archeological remains, the developer signs an agreement to conduct it. The assessment is carried out by an operator contracted by the group, by the National Institute for Preventive Archeological Research or by a municipal service provider. If archeological remains are found during the assessment, excavations

may be ordered by the regional curator. Depending on the outcome of the excavations, the project can be changed (type of foundations, method of construction or demolition, etc.) or the uncovered remains may be classified as historical monuments, and preserved (see Section 1.2.4.6. "Risks related to the discovery of archeological remains").

The special 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 locate and analyze asbestos in the building components and equipment to enable the firms to be consulted concerning the filing of an asbestos removal plan with the Regional Directorate for Companies, Competition, Consumer Affairs, Labor and Employment. The Kaufman & Broad Purchasing Department then turns to a demolition company, which, in turn, looks for a company specializing in asbestos removal. Its 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 2017, the training course entitled "Awareness of asbestos risk" was provided to the employees of Kaufman & Broad by Human Resources.

Taking account of the environment and biodiversity in the choice of location

The 2007 Grenelle Environment Forum made the commitment to preserve and restore a network across the country so that animal and plant species could move and reproduce. This network is called the "Green and Blue Corridor" and it 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 nature reserves, protected areas, Natura 2000 zones, 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 land can generate effects on the natural environment. An impact study can be conducted, either in accordance with Article R. 122 of the French Environmental Code or, if this is not mandatory, 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). Where 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 (Directions Régionales de l'Environnement, de l'Aménagement et du Logement or DREAL) may be implemented.

The Water Protection Law case report was thus created for the "Green Forest" program in Perray-en-Yvelines, which includes a wetland area identified by a pedological study carried out by Kaufman & Broad. In agreement with the findings of the case report, Kaufman & Broad took compensatory measures to restore another wetland area, located in the same catchment area as this program, and located on the shore of the

Etang du Perray. In this area, a reed-bed naturally purifies the water by filtration and houses numerous plant and animal species. It is a breeding area for pike and for birds, which use it as their migratory stopover site. This wetland zone and its ecosystem was gradually overrun and endangered by willow trees. Accordingly, works have been planned to restore, maintain and provide ecological monitoring for this zone for 10 years, except during the migration and reproduction season.

1.7.2.2. Managing the environmental and landscaping impact of programs

Integrating programs into the environment

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

Particular attention is paid to the integration of the project if recommendations are made by Architectes des Bâtiments de France (ABF).

Kaufman & Broad has its regional office in the church of Notre-Dame-des-Grâces (deconsecrated in 2011), in the center of the Toulouse region. The facade of this iconic building is protected by the municipal heritage department. Any modification or extension must therefore be in keeping with the architectural character of the "building to be conserved" and enhance the initial architecture. Kaufman & Broad restored the building and remodeled it into an office building in close collaboration with Architectes des Bâtiments de France, the city of Toulouse and the architect Pierre-Louis Taillandier.

The logistics platform of Honfleur will be visible from the Pont de Normandie and will therefore have to meet height, color and alignment requirements. Its different shades of green were chosen for their aesthetics and their integration into the area. Since the project is located near an ecological basin and corridor, particular attention has been paid to the environment, including by choosing endogenous tree species.

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

Phytosanitary assessment reports are sometimes prepared by landscape gardeners to check the health status of plants. Next, the surveyor and the architect select locations for the buildings on the basis of the assessment, and the developer then has general layout plans showing the plants or green spaces to be preserved.

Certain programs have thus been designed to preserve natural areas. For example, a surveyor was involved in the "Le Palama" program in Marseille in 2014. By including plants in the general layout plans, the surveyor helped lay out the two buildings in the program in a way that favors the preservation of old plant species.

In Mixed Development Zones (ZACs), the environmental aspect is particularly important and an environmental design firm is selected in the response for consultation and the design phases. The YOU building

in the Île Seguin Rives de Seine ZAC in Boulogne Billancourt, certified to the French business building standards NF Bâtiments Tertiaires, HQE® and BREEAM®, with the Effinergie + label (PEC RT 2012 – 46%) includes measures to promote biodiversity in its project. With the impact assessment, a study was conducted on existing biodiversity, and the loss analysis of fauna and flora was analyzed with a view to encourage the return of species. Accordingly, the two beehives on the site have been retained, and nesting boxes for blue tits, sparrows, the Eurasian nuthatch and robins 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. The group worked with an ecologist and a landscaper to choose endogenous plants.

Managing the environmental impact of construction sites

Kaufman & Broad acts as “Project Owner,” i.e., it assumes the development risk for the real estate program. It initiates the program for its sale, evaluates program opportunities and feasibility, manages it and assumes responsibility for its financing.

Kaufman & Broad has two ways of commissioning its construction works: general contractor programs, with the entire contract awarded to a single company; or programs with separate trade contractors where contracts are awarded to the various trades involved in the construction.

General contractors have more environmental expertise, in particular because of their size and therefore their corporate structure. They often have their own internal charters and environmental commitments as well as on-site staff 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 contracts for construction works. The need to comply with all applicable environmental regulations is accordingly noted in the clauses of their contracts, and in the technical specifications or in specific administrative clauses.

To specify its requirements in the construction phase, the group drafted a low-pollution construction charter as part of the implementation of the NF Habitat certification. This charter is systematically applied for NF Habitat HQE certified programs.

The charter specifies that Kaufman & Broad:

- tries to limit local soil and water pollution by collecting and storing waste (formwork oils, wash water, etc.) for subsequent removal;
- ensures that the contractors involved respect the regulations on the processing of building waste. These regulations require contractors to use specific containers and to sort and dispose of their waste at the appropriate treatment centers. At all our sites, waste sorting is mandatory and is performed in-situ if the size of the site allows. On certified sites, sorting assessments must be done by the AMO. In the case of demolitions, the wreckers are responsible for sorting the waste. They must provide evidence of the sorting of waste and

be able to certify that the waste has been sent to the appropriate collection centers, by obtaining Cerfa vouchers.

To ensure compliance with environmental requirements, as part of the NF HQE certification, the group is assisted by an EAPO (Environmental Assistant to the Project Owner). The EAPO attends the first site meeting to educate the main work packages about low-pollution construction and draw up a site report at the end of the program.

The environmental requirements are included in the contractual documents 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 for the repair of any damage they may have caused, including environmental damage.

In 2017, the training course on “Clean, low-pollution construction sites” was offered to the Technical Managers and group foremen.

Kaufman & Broad looked into water and electricity consumption during construction. Since program duration is not correlated to fiscal years, the group prefers to publish data for the duration of an entire program and give information on the programs for which it has reliable and comprehensive information on both water and electricity.

The group reported on a substantially broader scope in 2017 (37% of completed construction sites, compared with 2.5% of completed construction sites in 2016), thus fulfilling its intention to have more data available and increase its transparency on the subject.

The consumption reported was that paid for on a *pro rata* basis for 37% of the construction sites, excluding JVTs, which had achieved 100% technical progress during 2017. This consumption was 31,682 m³ of water and 4,236,870 kWh of electricity for 28 construction sites, corresponding to 142,149 sq.m of living space.

The group currently has no knowledge of water supply difficulties that may impact the completion of its operations.

Provisions and guarantees for environmental risks

Kaufman & Broad's contracts of sale are conditional. The conditions precedent includes the environmental risks that might arise after completion of soil studies so that, if applicable, compensation can be obtained from the seller. Within the legal framework of the contracts for sale, Kaufman & Broad is not, to date, exposed to any proven risk, and no provisions or guarantees for environmental risks were recognized in the accounts as at November 30, 2017.

1.7.2.3. Project performance that exceeds regulatory requirements

In a highly regulated market, Kaufman & Broad designs programs meeting stringent environmental and technical standards, which ensure that customers' investments are protected, even on resale. These requirements imply a quality of design and construction that is a guarantee of comfort and peace of mind for its customers.

Certification

The group has obtained the right to use the NF habitat (HQE) brand nationally. This certification is replacing multiple past certifications and meets the expectations expressed by both professionals and individuals to simplify facility quality and performance criteria and make them more readable.

Achieving this objective at the group level required clarification and harmonization of processes and is part of Kaufman & Broad's quality strategy. The certified homes bring added value to buyers in terms of comfort of use compared with the regulatory levels, particularly in terms of acoustic performance, thermal performance (homes that are more efficient in terms of energy, and in terms of insulation for NF Habitat HQE homes) and ventilation, with tighter controls on CMV (controlled mechanical ventilation).

All employees were briefed about the group's commitment and the contents of the certification. The operational business teams received specific training adapted to their functions.

Every group agency has internal NF Habitat Project Owner Contacts whose role is to ensure that the process is set up properly and that the certification requirements are met. This network of contacts is coordinated and managed at group level by a National Contact who acts as an advisor to the Agency Contacts. This National Contact monitors compliance with the commitment to certification for all group programs, and more specifically the achievement of the goal of one quarter of programs with NF Habitat HQE certification.

In 2017, 100% of the housing units accepted at the Land Committee, excluding joint developments, student housing and managed accommodation, marketed under the Kaufman & Broad brand, were certified at NF Habitat maturity level 2. Of the total housing units, 23.5% are RT 2012 – 10% (PEC 50) and 5.8% have thermal performance of RT 2012 – 20% (PEC 45). The 2012 thermal regulations (RT 2012) are close to the Low Energy Consumption Buildings (Bâtiments Basse Consommation (BBC)) requirement of around 50 kWh/sq.m/year.

32.5% of certified housing units will achieve NF Habitat HQE level.

Helping to combat climate change

Risks to the business from climate change

With the increase of exceptional climate conditions, the group could face additional costs linked to unexpected technical constraints.

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. See also Section 1.2.4.9. "Risks related to weather conditions."

Rising energy costs and the scarcity of some resources could lead to additional costs for the group, particularly due to an increase in environmental taxation and higher corporate expenses (increased cost of materials and increasingly heavy regulatory standards, especially for safety and the environment). Significant changes in the prices of raw materials (mainly concrete, steel and cement) used in the construction of buildings sold by the group could have a significant impact on the group's construction costs. This could have a material 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. See also Section 1.2.4.3. "Risks related to construction costs."

Analysis of significant emissions of greenhouse gases generated due to operations

To work on decreasing the carbon footprint of buildings and expand its knowledge of low-carbon construction, Kaufman & Broad is a founding member of the Low-Carbon Building Association (Association Bâtiment Bas Carbone or BBCCA), which has launched a new label for structures and buildings in operation with a reduced carbon footprint.

Conscious that scope 3 indirect emissions represent a significant proportion of the group's emissions, Kaufman & Broad has chosen to estimate them for the first time based on sectoral benchmarks (HQE, CSTB, ADEME), which use values corresponding to the "Products and equipment" items implemented during building construction.

The BBCCA association considers that for a new building, construction accounts for 60% of emissions. This analysis is based on the results of the HQE Performance test conducted by the HQE association for offices and multi-occupancy housing. Kaufman & Broad also had an analysis conducted on the life cycle of its "ORA" commercial property project in the 17th arrondissement of Paris, a project covering 20,852 sq.m with the Effinergie + label. This study, which was carried out using the CSTB's ELODIE V2 tool, showed that the main contributor to global warming, even over a period of 60 years of operation, is still the "construction" component.

For buildings delivered in 2017, estimates by type of product are shown below, with the comparative data for 2016. For 2017, the construction phase of products delivered represented 190,925 MTCO₂ eq. for 358,865 sq.m delivered.

Type of products ⁽¹⁾	sq.m delivered in 2016	Emissions of products delivered in 2016 during their construction phase (MTCO ₂ eq.)	sq.m delivered in 2017	Emissions of products delivered in 2017 during their construction phase (MTCO ₂ eq.)
Apartments	340,989	179,019	294,437	154,579
Managed accommodation ⁽²⁾	10,600	5,565	15,986	8,393
Houses	21,174	8,999	13,397	5,694
Offices	9,634	6,262	29,845	19,399
Retail			5,200	2,860

(1) Excluding logistics activity.

(2) Equivalent to multi-occupancy housing in terms of emission factors.

Analysis of group levers in response to climate change

Location of projects

The distance to services (schools, shops, leisure facilities, etc.) and the proximity of public transport are criteria for selecting the location of projects, for both housing units and commercial property. Connectivity is a decisive factor when choosing to launch a program, integrating analysis criteria such as the size of the metropolitan area or the zone in which it will be located.

The location of a project has a direct influence on emissions associated with daily transport (especially commuting).

For programs far from public transport which require the use of private cars for daily journeys, experiments are under way to offer alternatives to buyers. A short-distance carpooling service has thus been tested on certain programs in Île-de-France (see Section 1.7.4.2 "Innovation in uses").

Project design

The group strives to design bioclimatic projects, i.e. based on the local climate and environment in order to be efficient. A bioclimatic building is partly naturally heated and ventilated by solar radiation, the thermal inertia of materials and soil and the natural circulation of air.

The group therefore pays close attention to the location and orientation of buildings, the composition of walls and the choice of materials, taking into account the surrounding vegetation and the type of energy available locally.

For all projects, adaptation of surface areas to requirements is also considered, in order to optimize the plans.

Improving the energy efficiency of buildings

The environmental impact and energy efficiency of buildings are governed by regulations and by labels and certifications. In France, thermal regulations are strengthened, 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. They are therefore prior conditions for the approval of a building permit.

In 2017, training in "Keys to designing an RT 2012 building" and "RT 2012 basics" were offered to employees.

The group anticipates changes to environmental regulations in order to control costs, develop its expertise and make these restrictions a source of innovation.

Kaufman & Broad has won a competition for a BEPOS building in the Amédée Saint-Germain district in the Euratlantique ZAC, near Bordeaux station, which should be delivered in late 2019.

Kaufman & Broad is also working on energy mixes for better performance of its structures and less environmental impact through reduced use of fossil fuels. The group has several projects in the Batignolles ZAC, which acts as an area of experimentation on multiple topics for the City of Paris, with, for example, a dual flow heating system, photovoltaic panels on the roofs, automated vacuum waste collection, the Biodiversity label, and H&E certification. One of its programs – "Emergence" – goes well beyond thermal regulations and is RT 2012 – 17%. It uses photovoltaic panels, and the project is certified H&E profile A Performance option.

Kaufman & Broad is part of a multi-stakeholder working group set up by the planner Paris Batignolles, as part of the European CoRDEES project, to address the energy efficiency of buildings and the monitoring of real consumption in this district.

Aware that the main challenge in terms of energy efficiency lies in the existing building stock, Kaufman & Broad has developed an energy rehabilitation offer for commercial property. Since 2010, Kaufman & Broad and Elithis have been in a partnership known as Revivalis®, in order to combine their expertise and enter the market for the redevelopment of business property in compliance with France's low-energy consumption standard, BBC-Effinergie Rénovation. Revivalis® is intended for project owners who want to avoid discounting 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 redevelopment of their buildings.

Choosing construction materials and systems

Aware that the group is dependent on construction materials with a high carbon intensity for its production, such as cement, it is interested in less carbon-intensive materials, such as wood.

The group is therefore working on innovative wood-construction projects.

Kaufman & Broad won the competition to design the Silva housing tower, a primary wood structure in Bordeaux, which will be delivered in late 2020. This project extends over a 17,700 sq.m space divided between 14,200 sq.m of NF Habitat HQE certified housing, 3,000 sq.m of offices certified BREEAM "Very Good" and 500 sq.m of retail space and a silo parking garage. The tower has 17 floors and is 50 meters high. It is over 80% wood, with a giant timber primary structure.

The group is also working on the future regional headquarters of EDF, comprising 4,500 sq.m of wood and concrete, which will be delivered in Bordeaux in 2018.

Kaufman & Broad has supported the creation and implementation of Woodrise Congress (the first world congress dedicated to mid-rise and high-rise wood buildings, creating a benchmark and allowing for international feedback on wood construction). The teams on site presented examples of the group's wood construction projects. The group marked Kaufman & Broad's commitment to this theme by signing the "Woodrise Paper".

Building usage: raising customers' awareness about the impact of their purchase

The Energy Performance Assessment (DPE) is used to assess the energy efficiency of housing units. 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 assessment. Since January 1, 2011, energy-guidance labels are mandatory in property 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 a low consumer of energy, is also a home that is less expensive to maintain. Kaufman & Broad features these labels in all of its sales literature aimed at potential customers.

Beyond compliance with regulations, the true 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 a damaged exterior wall contribute to canceling out the good energy performance of buildings.

This behavioral factor takes on more importance if housing is technically designed to be more efficient. A guide is given to customers on delivery, to present the environmental and technical features of the building and housing unit and good practices to adopt daily in order to raise awareness about the "good use" of their homes.

Logistic platforms and offices are delivered with a building management system (BMS) that, among other things, allows users to monitor their consumption.

New life for buildings

The Group also carries out rehabilitation projects, which make it possible to change the use of buildings and to conserve the shell and structure, thereby saving some carbon emissions related to materials compared with new construction (see Section 1.7.2.6 "Saving resources" and the sub-section "Contribution to urban renewal and redevelopment of brownfield sites" in Section 1.7.4.3.2 "Sustainable involvement with communities").

The group's commitment to the environmental impact of buildings

The French National Low-Carbon Strategy (SNBC) has set an emissions reduction target of 75% compared with 1990 levels by 2050 (factor 4). The residential-business property sector is responsible for nearly 25% of French emissions; it therefore plays a major role in the fight against climate change. The SNBC plans to cut greenhouse gas emissions in the sector by half between 2013 and 2028 and reduce its emissions by 85% by 2050. The investments currently being made will be used in the coming decades: it is therefore essential to take action on the building stock now.

Kaufman & Broad supports this policy by producing buildings that integrate climate change issues from the design stage, through the choice of materials used, the optimization of energy efficiency and the reduction of the greenhouse gas emissions of its products.

The group has pledged to achieve the following targets by 2030:

- 100% of new housing unit projects to outperform the RT 2012 by 10%;
- 100% of new office projects to outperform the RT 2012 by 10%;
- 100% of new office projects certified BREEAM Very Good.

Conscious of the broader role that the sector can play in the fight against climate change, the Group is also reflecting on means and objectives to reduce the greenhouse gas emissions of products delivered, including during the customer use phase.

At the same time, Kaufman & Broad is continuing its training efforts in the sector by actively participating in think tanks such as the Low Carbon Building Association (BBCA), of which it is a founding member. This participation in the improvement of the sector's knowledge about and collective awareness of a more sparing use of energy and materials has allowed Kaufman & Broad to gradually incorporate advances made in the sector into the overall reduction of the carbon footprint of buildings.

1.7.2.4. Impact of administrative activity

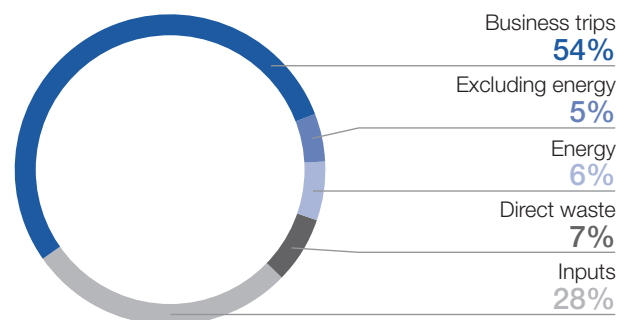
Kaufman & Broad takes into account the environmental impact of its administrative activity in order to raise awareness and mobilize its employees about objectives for the reduction of energy consumption and carbon emissions.

The Greenhouse Gas Emissions Assessment of the Kaufman & Broad GIE

The scope of the group's 2015 Greenhouse Gas Emissions Assessment (BEGES) covers all the activities of the GIE. The properties concerned by the BEGES assessment are the offices and premises of the agencies, the IT equipment owned by the companies of the Kaufman & Broad group and used by employees of the GIE, and their leased vehicles.

The analysis of greenhouse gas emissions for Kaufman & Broad's business activities was conducted on regulatory scope 1 and 2, and certain scope 3 emissions were also mentioned.

Summary of greenhouse gas emissions by line item



Line item	Description	MTCO ₂ eq.
Business trips	Solely from company cars (upstream and combustion)	
Inputs	Printing and external publications (paper)	
Direct waste	Paper and water	
Energy	Electricity consumption: air conditioning, ventilation, lighting and IT	
Excluding energy	Refrigerants in air conditioning facilities	

The BEGES report is available online from the Kaufman & Broad website.

Kaufman & Broad's Greenhouse Gas Emissions Assessment (BEGES) shows that 54% of the group's greenhouse gas emissions originate from business trips made in company cars.

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

Carbon footprint for business travel in 2017

In 2017, the group therefore decided to assess greenhouse gas emissions for all the business travel of its employees. The analysis was carried out on the "combustion" line, for the business trips made with company cars, employees' personal vehicles, by train and by plane. The emission factors were updated in 2017 to follow the update to the ADEME Carbon Base. In total, around 1,217 tons of CO₂ equivalent were emitted in 2017 for business travel, compared with around 1,481 tons of CO₂ equivalent in 2016. Vehicles were the main CO₂ emitters, accounting for 87% of emissions, compared with 88.2% in 2016.

Type of transportation	MTCO ₂ eq. in 2017	Distribution
Car	1,059.1	87.0%
Train	3.3	0.3%
Plane	154.6	12.7%
Total	1,217.0	100%

Aware of the significant part of transportation in its greenhouse gas emissions, the group is looking for new ways to communicate and work, specifically through the use of digital tools. Kaufman & Broad has been using videoconferencing systems since 2009. To date, 15 of the group's sites have been equipped with videoconferencing systems. The group thus encourages employees to favor videoconferencing in order to limit their business travel. The use of tablets has become widespread, resulting in the digitization of certain business processes. In addition, the group has deployed an Electronic Document Management System.

Reducing our paper consumption and energy bill

Since August 2012, the management of printing has been centralized within the IT Services Department of Kaufman & Broad, in order to be able to oversee and direct the consumables and equipment orders.

To streamline its offices, in 2012, Kaufman & Broad began to modernize its stock of copiers, to renovate and standardize it. Currently, 100% of the stock of multifunction printers (MFPs) has been renewed. The models selected have been chosen for their eco-efficiency: they are Energy Star certified and only consume 1 Watt when in stand-by mode. These units enable unnecessary printing to be reduced thanks to fax forwarding and digital storage options.

To limit the environmental impact of group administrative activities and to make employees more responsible, best practices have been implemented throughout the new building stock, such as the universal use of scan-to-mail instead of photocopying wherever possible. At some sites, paperless faxes to mailboxes have been implemented.

The group has also decided to virtualize its stock of computer servers. The project was launched in late 2010, and to date 95% of the server stock has been virtualized (excluding hypervisors). This project has resulted in reduced electricity consumption (the virtualized part decreased tenfold), and in reduced investment in office supplies.

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

In 2014, Kaufman & Broad launched a call for tenders to outsource part of its IT infrastructure, in order to secure the IT system, streamline costs, reduce energy costs and reduce environmental impacts. The latest-generation modular data center selected by Kaufman & Broad shows a Power Usage Effectiveness (PUE) of 1.21, thanks, among other things, to free cooling. This performance is much better than the standard PUE of 2, achieved by previous generation data centers.

Total print volume

(in thousands of pages)	2017 ⁽¹⁾	2016 ⁽²⁾
Black and white photocopies	2,731	2,677
Color photocopies	7,090	5,204
TOTAL	9,821	7,881

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

(1) Period from 01/25/2017 to 01/25/2018.

(2) Period from 12/1/2016 to 11/30/2017.

In 2017, the Information Systems department gradually rolled out a printing policy at the headquarters with the aim of reducing the

environmental impact, reducing the overall printing quantity and the associated costs, and increasing confidentiality and flexibility.

Water and electricity consumption of agencies

Sustainable resources management awareness has been raised among agencies' colleagues. They are encouraged to switch off lights of their office when they leave it. The same applies to the management of computer workstations as well as photocopiers and printers.

To do so, it has started monitoring the agencies' water and electricity consumption. The group does not use renewable energy for its own energy needs.

	Average number of employees	Water consumption (m ³)	Electricity consumption (kWh)
2017	812	10,295	1,490,098
2016	705	5,538	1,720,945

Water consumption in agencies represents 32.5% of the reported water consumption of construction sites. Electricity consumption in agencies represents 35% of the electricity consumption of the construction sites studied (see Section 1.7.2.2). These sites represent more than one-third of the programs completed by the group during the year.

1.7.2.5 Summary of the group's carbon emissions within its administrative scope and activities

Emission type (MTCO ₂ eq)	Items taken into account	2017	2016
Scope 1	Company vehicles (combustion)	914	1,014
Scope 2	Energy consumption at administrative sites (combustion)	69	80
Scope 3	Business travel by personal vehicle, train or plane (combustion)	175	404
	Construction phase of various product types excluding logistics activities	190,925	199,845
	Energy consumption at administrative sites (upstream)	20	23
TOTAL		192,103	201,365

1.7.2.6 Saving resources: raising awareness of the circular economy

The group wanted to begin a reflection process on how to integrate the circular economy into its projects, through competitive entries and other means. In this way, Kaufman & Broad joins the Orée association and is part of the "Deconstruction" business club and the circular economy working group that addresses this issue in connection with land development strategies.

In the context of projects, in accordance with regulations and certification rules, a portion of construction site waste is recovered. For the "United" program in Clichy, 85% of construction site waste was recovered.

The Group carries out rehabilitation projects, which make it possible to change the use of buildings and to conserve the shell and structure, thereby saving some carbon emissions related to materials compared with new construction.

The Carré Lafayette program, winner of the competition organized by the General Council of Loire-Atlantique, is a large-scale project combining rehabilitation and construction within the classified site of the former police barracks at Aristide Briand square, in Nantes. This program, inaugurated on July 6, 2015, made possible the rehabilitation of three buildings and the creation of a new building. These buildings have been fully rehabilitated to optimize the volumes offered for housing

units: ceiling heights of 3 m 60 cm, parquet floors, and molding-decorated interior doors. The facades were preserved and redesigned in a contemporary way, and the former footpath for horses has been preserved and transformed into a rest area adorned with aromatic plants.

Combating food waste

The group is faced with this problem on a limited scope since only its headquarters in Neuilly-sur-Seine has a shared company cafeteria. The cafeteria is managed by an external provider, and the group's responsibility is indirect. The group therefore believes that this is not a material issue. Employees have nevertheless been made aware of issues of product quality, supply, and environmental commitment, and the provider is regularly questioned about these practices, including by the CHSCT.

Recycling paper and computer equipment

As a service provider, Kaufman & Broad mostly generates office waste and consumes significant amounts of paper, both for its internal activity and its commercial business. Aware that changes in its practices can have a positive impact, Kaufman & Broad is committed to a group policy of implementing sorting and recycling in all its agencies, operated by a shared provider. This provider creates sustainable employment for people with limited access to the job market and for people with disabilities. The approach is deployed throughout the group.

The group has set up a generalized system of waste sorting and recycling in its offices. The waste is collected and then re-sorted by a work integration social enterprise, creating jobs for people with disabilities. In 2017, around 46 tons of waste were collected for recycling. The total tonnage of cardboard and paper collected and sorted by this provider was recycled in paper mills located in France.

The whole group also recovers and recycles computer equipment. In fiscal year 2017, 878 kg of cartridges were collected. Recycling

is organized in cooperation with two organizations, one of which is engaged in the New Life program for the treatment of used consumables to avoid grinding, incineration, landfills and landfill burial. Used cartridges are collected by one organization, and the components are then recycled in the manufacture of products using a process guaranteed by the "No Waste Solution by Revivalis" 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% improvement in greenhouse gas emissions compared to incineration.

1.7.3. Social information

1.7.3.1. Challenges associated with talent engagement and management

The challenges associated with our management policy for the women and men of our group are facilitating engagement and ensuring a quality of life at work that is a source of personal and professional fulfillment.

Today, thanks to the trust built in human relations and the development of talents through individual monitoring and customized training cycles, the group is able to meet its need for growing teams and personnel in positions of responsibility within the company. With more than 20% internal promotions, the doubling of the number of young people hired on work-study programs, training programs around our fundamentals, which are policy direction, negotiation, and the sharing of technical know-how, we are investing in the future and enabling our employees to increase their employability and their fields of action. The management team and the entire management community are committed to supporting the engagement of all, while listening to drivers of improvement and expectations. We have the same objectives: to achieve progress and ensure the economic performance of the group in a sustainable way.

1.7.3.2. Workforce by gender, function, geographic area and age

At December 31, 2017, the group employed 855 people (778 at December 31, 2016), 438 women and 417 men, through an Economic Interest Grouping (GIE) that combines all the group entities in France since January 2008. 65% of the employees are managers and 51.2% of them are women.

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, 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.

2016 was marked by the acquisition of two companies: Serge Mas Promotion on December 22, 2015, with 17 employees at December 31, 2017; and Seri Ouest on June 23, 2016, with 10 employees at December 31, 2017. These two companies were included in the corporate information in 2017 (the data published in 2016 related to the GIE only).

Breakdown of workforce by function at December 31, 2017

Land development	102
Programs	104
Technical & Customer Service	220
Marketing/Sales	207
Regional support functions	106
Corporate support functions	116
TOTAL	855

Breakdown of workforce by entity at December 31, 2017

KB SA	153
Commercial property	29
Île-de-France	239
Nantes	45
Rennes	8
Flandres	10
Caen	12
Lyon	53
Annecy	16
Nice	23
Toulon	28
Marseille	52
Montpellier	24
Toulouse	85
Bayonne	15
Bordeaux	36
Seri Ouest	10
SMP	17
TOTAL	855

Breakdown of workforce by age at December 31, 2017

Under 24	23
25 to 29	131
30 to 34	138
35 to 39	139
40 to 44	112
45 to 49	101
50 to 54	98
55 to 59	66
More than 60 years of age	47
TOTAL	855

1.7.3.3. New hires and departures

1.7.3.3.1. Analysis of any recruitment difficulties

In 2017, Kaufman & Broad hired 222 employees, including 195 on open-ended employment contracts (151 hires, including 127 on open-ended contracts in 2016).

128 managers, 68 employees and 26 salespeople were hired. Of the 222 employees hired on fixed-term (CDD) and open-ended (CDI) contracts in 2017, 95 were under age 30 at the time they joined the group, i.e., 42.8% of the employees hired. New hires support the growth of activities in all the group's businesses and in all regions. With a turnover rate of around 20.3%, hires correspond in particular to job creations. Given the dynamism of the business sector, Kaufman & Broad opts to hire young people, including after work-study programs.

Average annual compensation ⁽¹⁾

(in €)	2017			2016 ⁽²⁾		
	Men	Women	Average	Men	Women	Average
Employees	61,632	41,457	46,457	59,260	41,682	45,449
• base salary	26,214	27,495	27,184	25,667	27,556	27,152
Managers	89,974	61,163	79,081	89,102	60,851	79,035
• base salary	62,103	45,432	55,800	63,395	45,974	57,187

(1) Total gross annual compensation per average annual number of employees.

(2) 2016 for the GIE only.

The payroll taxes booked for 2016 and 2017 were €25.7 million (€24.9 million for the GIE only) and €31.5 million respectively (including charges on bonus shares vesting in 2017).

1.7.3.4.2. 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 Kaufman & Broad group.

1.7.3.3.2. Temporary workers

In 2017, temporary workers represented 3.79% of the workforce, representing the equivalent of 31.1 full-time employees during the year. Temporary staff worked an average of 13.17 days per assignment in 2017.

1.7.3.3.3. Terminations

Employee-related terminations affected 22 people (17 in 2016) and 23 people left the group by mutual consent (30 in 2016).

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

In 2017, the recorded turnover rate among employees in CDI was 20.3%. The turnover rate is both associated with the job creations that accompany growth in the business and indicates departures. The resignation rate was 8% in 2017 and 6.3% in 2016. It was particularly significant among employees under 30, reaching 9.7% in 2017 and 11.1% in 2016. The movements also emphasize internal promotions; the promotion and transfer rate increased from 18% to 22% in 2017.

1.7.3.4. Compensation

1.7.3.4.1. Average Compensation

Employee compensation consists of a fixed base salary plus a variable portion related, in particular, to duties and 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' Interest."

1.7.3.5. Work organization

1.7.3.5.1. 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, on January 1, 2007, the Kaufman & Broad GIE signed a supplementary agreement to the agreement of November 7, 2006 with the representative trade unions. 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, the Company gives them five days of additional annual leave plus two additional days off in lieu of the extra time worked;
- 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.

1.7.3.5.2. Working hours for part-time employees

In 2017, the group had 30 part-time employees: 17 employees, 9 managers and 4 salespeople. Of these, 83% are women. 57% of these employees worked 20 to 30 hours per week, mainly on parental leave.

In addition, 26 employees are entitled to work-life balance related flextime.

1.7.3.5.3. Absenteeism

Absenteeism by reason ⁽¹⁾	2017	2016
Sick leave	3.10%	4.09%
Workplace and commuting accidents	0.11%	0.01%
Maternity leave	0.97%	1.39%
Family events	0.14%	0.35%
TOTAL	4.31%	5.84%

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

1.7.3.6. Labor relations

Employees are represented by 10 members of employee representative organizations (six managers and four non-managers). These employee representatives were appointed after the elections in 2014. In addition, two of the members of the Health and Safety Committee (CHSCT), one manager and one non-manager, who have no title on Work Councils, were elected as Employee Delegates.

The union organizations are represented in GIE Kaufman & Broad by two union delegates: one from Force Ouvrière (the national union of caretakers, concierges, and real estate employees) and one from the national union for urban planning and housing and property managers (Confédération Française de l'Encadrement or CGC).

Management and representatives of the Work Councils meet monthly, as well as the Union Delegates. Members of Health and Safety Committee (CHSCT) meet four times per year. The Trade Unions and management meet each year during the Mandatory Annual Collective Bargaining Rounds and as often as required in accordance with the schedule required by law.

1.7.3.6.1. Social initiatives

The Kaufman & Broad group's contributions in 2017 amounted to:

- additional insurance and health care coverage: €1,918 thousand;
- catering expenses: €712 thousand;
- payment to Works Councils: €500 thousand.

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

The Kaufman & Broad SA group has always wanted to facilitate the sale of housing to its employees while preserving the interests of the Company and its shareholders. Kaufman & Broad SA is redefining its policy of selling housing units (single-family 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.

1.7.3.6.2. Collective Bargaining Agreements

In 2017, the union organizations and management unanimously signed two agreements: an agreement on September 19, 2017, relating to the Right to Disconnect; and an agreement on October 20, 2017 on salary policy for 2018. The group has also complied with its obligations regarding healthcare expenses, by establishing, after a Unilateral Employer's Decision, following consultation with the employee representative organizations, a new healthcare expenses regime called "Responsible", which applies as of January 1, 2018.

1.7.3.6.2.1. Equal opportunities

The supplementary agreement was signed on September 16, 2015 in order to comply with regulations. In addition to the three measures adopted by the group in the agreement of November 18, 2011, which are the classification, the training and the balance between professional life and private life, a fourth measure relative to the compensation was inserted. It shows the group's intention to respect the principle of equality

between men and women and to implement concrete measures to meet the expectations of its employees in terms of career development, in accordance with such principle.

Finally, through this agreement, the parties wish to reaffirm the principles and the benefits of the existing measures, to propose new commitments in particular the balance between work life and personal life and to promote such principles.

The measures resulting from the negotiation are as follows:

- access to employment: the Company is committed to make its best effort to communicate widely and as quickly as possible the vacancies or promotion opportunities. In order to promote and encourage career development, the Company is committed to define the promoted functions and make them available to employees;
- professional training: the general principle is that all employees have an equal access to professional training and to have a Personal Training Account. Annual reviews and interviews are used to validate the training plan and help managers to develop employees' skills;
- career development: of equal competence, a specific attention will be given to the promotion of women to management positions or expert positions in order to promote mixed teams. The management is committed to promote women applicants for any job opening. The Company is supported by HR teams who will help the employees to consider a new function and propose skill training or immersion;
- working conditions and in particular those of part-time employees. The Company responds favorably to all requests relating to the management of working hours and gives an individual support at their departure on maternity leave as well as at the return from such leave in order to ensure that the resumption of work will be done in the best conditions;
- work-life balance. Work-life balance is part of the negotiations between managers and employees during annual business interviews. Employees know the importance of the organization of meetings which can ensure work-life balance;
- measures reducing the gender pay gap. The Company reaffirms its commitment to the principle of "equal pay for equal work". Thus, efforts are made to ensure equal compensation between women and men according to the principle that at equal qualification, function, skills and experiences, women and men are employed under the same conditions. As a result, the managers and employees working on compensation policies are aware of the principle under which the management of compensation, careers and promotion shall only take into account clear and objective professional criteria. The Company acts according to its wage policy specifically on the population of men and women in order to gradually reduce the identified gaps.

1.7.3.6.2.2. Intergenerational Employment and management of Employment and Career Paths

GIE Kaufman & Broad entered into an agreement on October 3, 2016 relating to Intergenerational Employment and management of Employment and Career Paths for a three-year period. This agreement and the assessment report on the employment position of younger and older employees were filed with DIRECCTE of Hauts-de-Seine and with the registrar of the Conseil de Prud'hommes (Labor Tribunal) in Nanterre.

By this agreement, management and the corporate officers of GIE Kaufman & Broad reaffirmed the commitments created (i) as part of the agreement on employment of older employees of December 2, 2009 for the retention of older employees and the second part of their careers, (ii) as part of the agreement on professional gender equality of November 18, 2011.

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, 2017, the Company employed 154 young people under 30, of whom five are on fixed-term (CDD) contracts, and hired 94 people under 30 in 2017. The Company committed, over the three-year period 2017-2019, 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. 2017 was marked by the implementation of a personalized integration program for young people to ensure their quick integration into their profession and team. In addition, a one-day seminar for all executives hired during the year is organized at the headquarters on a regular basis as hiring takes place. The seminar is a privileged step to ensure the quality and effectiveness in new hires and enable employees to discuss the group's challenges, projects and values with managers. All employees were involved in integration in 2017. A quiz about the group, its businesses, projects and values, was sent out to all employees at the end of several weeks of integration. New hires also have to take part in a simple, quick training course on the digital training platform. With approximately 7.8% of employees on work-study, the group shows, beyond its 4% requirement, a commitment to develop relationships with schools and encourage recruitment of students who may join their teams after their work-study period is over. The group hired 56 young people as interns or under work-study contracts in 2017;

- 2) the commitment to retain and return to work employees 57 years of age and over, or 55 and over if they have the status of disabled worker.

At December 31, 2017, employees aged 55 and over made up 13.2% of the total workforce. The group is committed to maintaining 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 not including age in its hiring criteria. The work environment does not create any notoriously arduous situations. However, the group has included in its agreement some measures that allow older employees to adjust their work hours upon request while preserving the terms of full-time employment vesting applicable to their retirement. 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. In addition, individual teleworking measures have been implemented to take the work-life balance into account.

As part of the staff reviews conducted annually at the end of the annual performance reviews, in line with its commitments the Company can anticipate career aspirations and changes in jobs and ensure the fluidity of organizations and therefore of operations. Later-stage career and professional interviews are formalized and all employees aged 45 and over may request them. The HR Department ensures that these interviews take place in addition to annual performance reviews;

3) methods to enable transmission of knowledge and skills.

The transmission of know-how and proper attitudes will rely on senior employees being identified by the Company and on a voluntary basis. Young people are now supported during their first weeks of integration by a sponsor who oversees their assimilation into the job and the Company culture. In addition, training seasons will be set up and organized for sharing expertise and skills. Each year, the intergenerational employment agreement will be subject to an assessment by the group's partners in order to ensure the implementation of the measures. The main know-how to be shared is identified within the technical teams. The talents that need to be hired to replace older employees due to retire within 12 months is anticipated. In addition, tailor-made training around internal engineering enabled the group to capitalize on the best practices of experienced employees and to teach them to and share them with young engineers, particularly in the purchasing and assembly functions.

1.7.3.6.2.3. Right to Disconnect

As already mentioned, the Kaufman & Broad group pays particularly close attention to quality of life at work. The company promotes well-being by also taking into account the new expectations of employees. However, as it is committed to ensuring a quality of life at work that is compatible with economic performance and individual and collective well-being, the Group launched an engagement survey in March 2017, in order to listen to the expectations of employees and identify their points of concern, regardless of their job, their place of work, their gender or their experience, in order to engage managers and the group as a whole in a positive approach of listening, goodwill and progress.

Against this background, this right to disconnect agreement is also part of the same challenge: to promote quality of work and personal life and to adjust our ways of working to changes in behavior in general, by listening to and ensuring compliance with legal rules on working time, respect for privacy and respectful relationships.

The agreement formalizes behaviors, rules of life and work that aim to respect the work-life balance and the effectiveness of working relationships, particularly on the following subjects:

- 1) application of the right to disconnect outside actual working hours:** Periods of rest, leave and suspension of the employment contract must be respected by all employees of the company.

Concerning, more particularly, the use of work email, it is specified that employees are never obliged to acknowledge emails addressed to them or to answer them outside working hours, except in the case of emergency and exceptional circumstances in which this is necessary;

- 2) application of connection/disconnection management during working hours:** Individual usage of digital tools and management of this in the context of work organization can lead to over-solicitation or under-connection, depending on the people concerned.

Management of individual connection/disconnection of tools in the context of work must be reviewed collectively, taking into account the business and service requirements. Managers, in particular, are called upon to play a role in collectively defining accessibility rules and sharing points of reference on the proper use of each digital tool.

In order to raise employees' awareness, training and awareness-raising actions will be organized for managers and all employees with a view to informing them of the risks, issues and good practices related to the use of digital tools.

The proper appropriation of tools by employees makes it possible to optimize their usage, facilitate their conditions of use and improve working conditions in this area.

The project teams will focus on organizing information sharing that may take the form of physical meetings, videoconferences, or conference calls, thus putting the emphasis on a qualitative relationship that email does not always allow.

It is also recommended that individual employees schedule periods during the working day in which they do not use email, particularly during meetings or to make it easier to concentrate;

- 3) Managing information volumes:** To reduce information volumes, the parties agree on the need to share best practices in the use of emails and remote tools.

1.7.3.6.2.4. Impact of agreements on economic performance

The commitments to gender equality as well as intergenerational employment, management of employment and career paths contribute to employee retention and to a commitment to ensuring an atmosphere of fairness and trust. Efforts to ensure successful integration of young people and new hires regardless of age contribute to making them effective quickly and able to understand their roles and missions. The retention in the Company of more experienced staff aged 45 and over allows the group to consolidate its expertise, base its innovation and the excellence of its operations on rich experiences, product knowledge and the expectations of our clients. Finally, anticipating changes in our businesses by watching job transformations ensures agility in employees, who are able to perform different functions in organizations, and anticipate changes in our markets, by comprehending the digitalization of our environments, customer experience and transforming of the expectations of our partners and customers.

The work environment and the focus on respecting the work-life balance foster engagement and well-being at work, allowing employees to reconcile their professional and personal lives and thus

contribute effectively to the business. Goodwill and quality professional relationships help with project-based work and the development of synergies and best practices in programs.

1.7.3.7. Health and safety conditions at work

The Kaufman & Broad group has a Health and Safety Committee, which meets as prescribed four times per year, as well as at the request of the management or employee representatives. In 2017, the Committee met four times.

In 2017, nine workplace accidents were recorded, six of which caused a work stoppage, resulting in an absence of 287 calendar days. Four commuting accidents were recorded, two of which caused a work stoppage.

In 2017, no cases of occupational illness were registered.

In 2017, as well as training first-aiders and providing personal protection equipment, the group is installing defibrillators at all of its agencies in 2017 and 2018. No health or occupational safety agreements were signed within the group in 2017.

1.7.3.8. Training

Kaufman & Broad defines and updates its training policy annually. This policy responds to the group's business challenges: leading the teams at the heart of our businesses to support the development of our operations, leveraging the performance of our operations, supporting the development of life skills and the managerial culture, and ensuring respect for the work-life balance and quality of life at work.

Moreover, in a rapidly changing market, within our very agile organizations, training anticipates changes to our businesses and makes our employees agile, employable and ready and confident to grasp transformations of their duties and job changes. As training is regarded as an investment, requirements are identified during annual performance reviews, carried out at a level of nearly 90% each year. A skills analysis by business allows the group to adjust its actions and create new ones.

To take into account new ways of learning and the fact that our employees often move around, the group has stepped up its efforts with the digital training platform. With 30% of employees connected in 2017, the digital training platform is becoming a collective and flexible way of accessing training, in both business tools, personal development, and business skills. By offering job videos and filmed training courses, the group progressively promotes exchange within communities of learners and occupations. The challenge is learning how to learn: employees become partially autonomous in their training through accessing a wide range of available online sessions. In addition, in order to be aligned with operational challenges, in-class seminars are designed with operational staff for targeted populations and are held for each business. Individual requirements are identified at the same time and integrated into the plan

based on challenges and after discussions with management during annual employee reviews following individual interviews.

The group has invested 0.58% of its payroll in training, with Real Estate, Technical and Sales and Marketing staff in particular. Together with online sessions, the group delivered 6,658 hours of training in 2017, including 390 hours online (6,969 hours in 2016 excluding online training) by optimizing its costs and team time.

In 2017, nearly half of employees, or 408 people, attended training, of whom 188 were women and 220 were men. A special effort was thus successfully achieved for women in the core businesses of the group.

In 2017, the Company signed or renewed 59 apprenticeship and work-study contracts. The group has 71 work-study participants who form a pool of young people prepared to join the teams as opportunities arise.

1.7.3.9. Diversity, equal opportunity and equal treatment

1.7.3.9.1. Policy and measures for promoting gender equality

The group presents the action plan carried out in order to meet its commitments to its social partners on an annual basis. In 2017, the following areas were covered in particular:

- in terms of classification: the proportion of women in management was 39% at December 31, 2017. In 2017, nearly 90% of annual performance reviews were carried out. For the past three years, all employees and their immediate superiors are monitored individually and collectively through reviews. In this context, women's talents are identified and their ability to take responsibilities is recognized. Of the 40 promotions to key positions of directors of operations, seven were women;
- vocational training: the development of the digital training platform offers women of all professions, including locally based non-management with family constraints, access to a variety of training sessions in the areas of customer relations and personal development in particular. In addition, the focus on business line training has allowed 100% of women in each business line to have access to training in 2017;
- work-life balance: the group responds favorably to all requests for working time arrangements: by organizing suitable meeting schedules, increasingly respecting vacation time and time off and encouraging the discussion of these matters at the annual performance reviews. These efforts affect both women and men within the Company;
- compensation: as part of salary reviews, following the signing of the annual agreement on Mandatory Collective Bargaining, an analysis of the compensation of men and women is the basis used to define the total amount of a specific increase intended to gradually erase any significant gender pay differences for the same job.

- in terms of recruitment, and the hiring and appointment in 2017 of women to key agency director positions, two out of five agency director positions were filled by women, including one position following internal promotion. The creation of a marketing director role in Île-de-France resulted in one woman being hired.

1.7.3.9.2. Policy and measures implemented in favor of the employment and integration of people with disabilities

At December 31, 2017, the group employed 12 people with disabilities in its various entities. As part of its Disability Policy and the affirmation of its employer brand, the group participates in digital events for the recruitment of people with disabilities. Since the efforts made by the Company since 2010, the number of disabled workers employed by the Company increased from four to 12 in 2017.

1.7.4. Societal information

1.7.4.1. Developing customized and accessible offers

Facilitating home ownership: financial accessibility of projects

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 units, of the same quality. From 2009, the group has refocused its housing offer toward first-time buyers and to investors, by offering more compact and functional products while maintaining the useable floor area.

Nearly 15% 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 units, sold at prices that are 20% lower than the market price. The aim is to offer multi-occupancy housing for less than €3,000/sq.m (including VAT) in

1.7.3.10. 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. At December 31, 2017, the group employed 15 foreign nationals, 12 people with disabilities and 113 employees over 55. 51.2% of employees were women. The group is dedicated to employing and promoting employees according to the adequacy of their profile for the requirements of the proposed positions without further discriminatory criteria.

Kaufman & Broad is present only 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.

Île-de-France and between €2,500 and €2,600/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 housing units, 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 units, 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.

Buyer type	2016	2017
Investor	52%	43%
Block	26%	37%
First-time homebuyer	17%	14%
Second-time homebuyer	5%	6%
TOTAL	100%	100%

Kaufman & Broad works closely with social landlords to help build social housing and housing for lower income households.

The housing units built by the group, for which access is subject to income requirements, accounted for 29% of group bookings for the 2017 financial year.

Responding to new needs

Adapted housing

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 affordability of housing units and scalability. The group is also diversifying its business activities into serviced housing for older adults and students. With their specific characteristics, these businesses are a growth opportunity for the group.

The number of over-60s will increase by 33% by 2030, but currently only 6% of the entire housing stock is adapted for advancing age. The group has developed two innovative solutions to meet the needs of a population whose life expectancy is rising and most of whom want to remain independent at home for as long as possible.

Silver Residence, a serviced residence for older adults, offers housing units 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 stores, transport and facilities, in a secure environment. The serviced residences offer building services and also provide optional services such as dining facilities and, some of them, daily housekeeping. The first Silver Residence, Pinpirina, was built in the Caradoc district in Bayonne. Residents have access to common areas, including a shared lounge, a garden and a terrace, as well as the services of a superintendent, who manages the building and organizes activities.

Silver Pack, launched in June 2014, extends the choice of 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 stepped door thresholds, etc.) make life easier, by providing comfort and safety. Silver Pack promotes generational diversity by offering customers the choice of whether to add these amenities when purchasing their home.

Following these reflections on the design of secure and adapted homes for autonomous seniors, Kaufman & Broad entered into a partnership in 2017 with Serenis, a network of institutions specializing in the care of the elderly. A senior residences management company called Cosy Diem was thus created.

The design of the Cosy Diem residences was based on the works done on the G rontop le in Toulouse in the area of dependency prevention and on the recommendations of various health care bodies. The apartments were ergonomically designed to ensure comfort and safety and to encourage independence.

The Cosy Diem homes, which are located in city centers, were designed as sociable places. The homes are arranged around a central space that serves communal living areas (restaurant, library, bar, fitness area, etc.). The residents can live here with no obligations, making use – or not – of the shared spaces, entertainment and activities.

Shared spaces

Shared and pooled spaces are a source of inspiration for the group because they make it possible to meet the needs of optimization, sociability and sharing.

Kaufman & Broad is carrying out a general reflection on the context of life and work in the city of the future.

This can be seen, for example, in proposals for high-rise buildings that combine the advantages of high floors with the conviviality of green spaces and the features of an individual home. Thus, the "New'R" project in Nantes, winner of the Silver Pyramids award, includes a collective greenhouse on the tenth floor containing a vegetable garden, and a completely open sun terrace on the seventeenth floor.

Guaranteeing efficient connectivity for users

Adapting to developments in technology, the group is working on building performance to improve employee productivity. The ORA commercial property programs in the 17th *arrondissement* of Paris and Green Oak in Arcueil each have a "Wired Score" label. This label recognizes a quality of internal and external infrastructure that guarantees connection reliability and protection and is also agile, so that it can adapt to future changes in networks.

Increasing the well-being of occupants and users

The safety of future users and occupants is ensured by the compliance of the works with the regulations in force, in particular fire safety and seismic safety standards.

Beyond conformity with building regulations, the group is also concerned with the well-being of occupants and users.

Well-being through real estate is one topic of reflection for Kaufman & Broad, which became a partner of the Immowell-Lab start-up accelerator last year. The group is therefore interested in the first recognized certification in this field: "Well" certification.

The ORA commercial property program in the 17th *arrondissement* of Paris has thus been awarded Well Core & Shell certification. This certification guarantees a number of parameters related to comfort of use (indoor air quality, hygrothermal and acoustic comfort, comfort of natural and artificial lighting, biophilia, etc.) that contribute to health, well-being and employee productivity.

1.7.4.2. Kaufman & Broad customer support for housing units

Personalized follow-up with each customer

Marketing

Aware that the financial, tax and regulatory aspects of a real estate acquisition may seem complex to individuals, the group has set up a Consumer Information Service. The service, which can be accessed online or by phone, provides free, no-commitment information on subjects including credit, taxation, asset management advice, interior decoration, and rental management.

Kaufman & Broad diversifies and adapts its sales channels to suit customers' needs.

Depending on the circumstances, the group sets up traditional sales offices in dense catchment areas and on visible central sites, or pop-up sales offices, which are temporary, tailor-made and event-based offices for marketing launches or events.

In addition, the BoutiK concept gives the Group a permanent point of sale for a geographical area, which is centrally located and close to transport links. These BoutiKs are open six days a week and present Kaufman & Broad's entire offer, sometimes also serving as showrooms.

The Group's sales representatives also go to customers' homes, or to places that suit their schedules and availability.

Aware that on-site sales make it difficult to project and visualize possible adaptations or elements of personalization, the Group has made the use of digital tools systematic for all its launches (illustrations, 3D plan, virtual tour, orbital model).

Customer service and after sales services

Whatever the size of its programs, Kaufman & Broad's goal is to offer the same services and benefits to its customers. Kaufman & Broad's customer service combines everything from a notary's signature to after sales services. All customer-facing employees of the group may request training in "Customer relationship management".

Following signature of the deed of sale, every 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 construction, with photos. They also have access to information about their housing unit and their neighborhood (virtual visits and local services) and to useful documents (owner's guide, sales booklet, 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.

In order to get closer to customers and to establish a real relationship of trust with them, some agencies organize the delivery of a building or an entire program in one day, with all their teams taking part. This was the case for the "Effervescence" program in Marseille and the "Aroma Park" program in Grasse.

During deliveries, many companies are on site to immediately perform any rework and retouching requested by customers.

Measuring customer satisfaction

The satisfaction survey was revised in order to fine-tune satisfaction measurement by interviewing all purchasers at various points in their customer journey. The results of these surveys are used to identify the

main levers of satisfaction and dissatisfaction, in order to analyze them and to change internal processes to improve customer satisfaction and guide the performance of the various departments. The surveys identified that the phases of personalization and release of reserves were a source of tension, and working groups were created on these subjects.

Innovation in use: an innovation strategy that serves the customer

The innovation strategy is driven and managed by the Innovation, Quality and Architecture department, which was created in 2015.

The aim of the strategy is to expand the group's services offer, in order to meet the needs of purchasers and users, particularly in terms of new uses, by providing them with real value-added in relation to the customer experience.

Internally, it is based on a Network of Innovation Contacts made up of the various business line managers in each Group agency. One of the objectives of this network is to encourage the sharing of know-how between the agencies.

Innovation also means partnerships with start-up incubators or accelerators, such as Paris&Co or Immowell-Lab, dedicated to promoting well-being through real estate. Kaufman & Broad therefore takes part in start-up selection committees. If some of these start-ups are working on issues identified by the Group, the Innovation Department may choose to conduct experiments with them on a few property projects in order to test their solution and analyze feedback from buyers and users. In the event that these experiments prove conclusive, the Group may incorporate the solution into its service offer and generalize it in its programs.

After a nine-month experimentation phase, Kaufman & Broad has announced the commissioning of the trading platform proposed by start-up ChouetteCopro for all future residential real estate programs delivered in Île-de-France. ChouetteCopro is a computer app for reporting and tracking the handling of incidents in communal areas. It facilitates the flow of exchanges between the occupants, managing agent, co-ownership management committee and companies acting within the same condominium.

The experiment has continued in Kaufman & Broad's regional agencies.

Another experiment is also under way in Île-de-France with Karos, which offers a short-distance carpooling app. The aim of this service is to improve the accessibility of real estate programs and facilitate the daily journeys of buyers and users by connecting carpoolers.

In this way, the private car can become a public transport solution in areas with scant public transport or a mobility solution that supplements existing transport networks. Increasing the number of passengers in each vehicle, helps to reduce traffic and the associated carbon emissions.

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

1.7.4.3.1 Contributing to the economic and social development of the regions

Already present in the most dynamic cities in its sector, the group has strengthened its regional network by establishing itself in medium-sized cities through the acquisition of the companies Serge Mas Promotion Safaur and Seri Ouest in the last two years.

As a builder-developer, Kaufman & Broad participates in job creation and in school-to-work and back-to-work programs in the regions where the group operates.

Wherever possible, the group makes use of local businesses, and seeks to showcase local know-how.

Kaufman & Broad has its regional office in the Church of Notre-Dame-des-Grâces (deconsecrated in 2011), in the center of the Toulouse region. The facade of this symbolic Florentine style building is protected by the municipal heritage department. The three typical terracotta capitals on the facade were commissioned from the Not pottery, one of the last artisan businesses in the region producing ceramics.

By means of back-to-work clauses, certain lots are partially built by people with little access to work or who are experiencing difficulties in returning to work. Back-to-work clauses, for example, were included in the contracts for the Modern Art program in Juvisy and for the "ORA" project in the 17th arrondissement in Paris.

1.7.4.3.2. Sustainable involvement with communities

The location of programs is selected on the basis of quality-based criteria, such as land quality, availability of public utility networks and transport facilities, stores and services. Programs are designed in close consultation with the communities, and mindful of the town's policies.

The phasing of programs may be linked to the opening of new public services or facilities. For example, the Green Lodge program in Villepreux is an exceptional program with more than 500 housing units combining traditional and contemporary homes and a large variety of apartments. It covers an entire neighborhood that has been built and developed in close collaboration with the municipality by creating more than 900 parking places, 30,000 sq.m of roads, bike lanes and communal spaces, and 600 sq.m of commercial premises. For this type of major project, Kaufman & Broad diversifies its professional skills, in order to adopt an urban logistics vision and generate true economic dynamism.

The group also contributes to the financing of public facilities by means of urban planning taxes and through Urban Partnership Projects. Kaufman & Broad was asked to develop and improve the attractiveness of the neighborhoods in which the group locates its operations. For the Terra Nostra project in Montpellier, a square of 800 sq.m was constructed then transferred back to the city (as with the "Helgoaldea" operation in Hendaye), a fun and fitness structure was created then transferred back to the town of Pélissanne for the Domaine de Gaia operation and a food village with several food stores (butcher, baker) was created in Wambrechies.

Contribution to urban renewal and redevelopment of brownfield sites

For example, the Baud-Chardonnet site in Rennes, was initially an urban fringe area with intermixed industrial sites and warehouses which later became a brownfield site. This area, enclosed between the Vilaine river and rail tracks, is part of a Mixed Development Zone (ZAC) program designed to structure the urban landscape by transforming it into an area interconnecting the train station neighborhood, certain metropolitan functions (services, research, training) and the "technopolitan" Beaulieu Atalante site. The ZAC project enables a high-density housing zone to be built, combining multi-occupancy housing, business property, public and commercial facilities.

At the core of this urban development, the Kaufman & Broad program, located in block F, includes four buildings, a chapel and a covered area with a large well-lit, double-height commercial space.

Kaufman & Broad also performs rehabilitation projects with the purpose of changing the use of a building. As a result, housing was created from a former postal distribution site for the "Green Village" operation in Montpellier, by keeping the intermediate floors and roof slab.

Adopting an urban logistics vision

Kaufman & Broad endeavors to find solutions to the last-mile problem. The optimization and sharing of logistic flows are in response to problems with traffic jams and parking in downtown areas. This helps thinking about the city of the future in a more eco-friendly manner and on a neighborhood scale, by incorporating the connection of services to buildings when they are designed.

Engagement through sponsorship

In 2017, Kaufman & Broad continued its commitment to the Pavillon d'Arsenal and Fondation Palladio, where the group sits on the jury panel and the Pôle Avenir Palladio. The Institut Palladio aims to provoke thought and discussion among all players and stakeholders in the city of the future, and, among other things, provides scholarships for university students and doctoral candidates.

The co-option policy established by the HR department allows employees to make donations to charities of their choice in the areas of returning to work, disability and health, when the co-opted candidate joins the group.

In 2017, Kaufman & Broad began sponsoring the MéSeine Aval charity. The mission of the MéSeine Aval endowment fund includes restoring the Royal Priory – which houses the Jouet museum – and rebuilding the Maison de Fer in Meissonier Park.

Kaufman & Broad has also made a charitable commitment alongside the Fondation Espérance Banlieues. Espérance Banlieues schools provide additional teaching in districts where the education system is in crisis. They are non-denominational schools with a very engaging educational approach that involves both parents and children. Kaufman & Broad's commitment to this cause is connected to its historical presence in the suburbs where it establishes its projects and contributes, alongside local authorities, to the diversity and development of the urban model. For the group, the role of education is to train citizens and to boost social mobility, so that everybody has the same opportunities in life, with

a duty to combat the human, financial and social cost that dropping out of school represents. In both homes and education, it is all about committing to a long-term project, with a sense of responsibility, and instilling confidence in the future in these children – the people for whom the group will be building tomorrow. As part of this commitment, Kaufman & Broad will support a year group throughout their period of schooling, teaching them about the group's businesses and inviting them on site visits.

In fiscal year 2017 the Kaufman & Broad group made sponsorship donations amounting to €366,700.

1.7.4.3.3. Limiting pollution and establishing dialogue around construction sites

Meetings with local residents

Before filing building permits and to the extent that this is possible, on the initiative of the mayor's office, consultation meetings are organized with residents to discuss the progress of the program, keep them informed and take account of their requests. These meetings, which are generally held on the initiative of the mayor's office, enable possible tensions to be defused by responding to residents' questions. This process takes the form of a debate where all points of view are expressed, and all the documents are distributed to everyone present.

For the Gratentour program, Kaufman & Broad, and the mayor's office arranged a meeting with local residents which enabled the program to be modified to take account of the needs expressed. Located in a suburban and rural residential area, this high-density program, with houses initially designed as ground-floor +1, met resistance from local residents. Kaufman & Broad then changed a part of the program to single-floor houses and moved the outer boundaries. The group also presented and exchanged views on the choice of vegetation for the boundaries at meetings with local residents.

Urgent preventive proceedings

It is generally standard practice for Kaufman & Broad to open urgent preventive court proceedings, usually optional, at the start of any program launched in a densely populated urban area. This measure, designed to protect local residents as well as the group, ensures that an independent expert, appointed by the court, prepares a report on the condition of the neighboring properties before the construction work begins.

Depending on the task ordered by the court, these preventive proceedings continue during the works, and enable each local resident to report any damage or nuisance caused by the construction, and for corrective action to be taken.

In 2017, a training course on preventive proceedings was offered to employees.

In addition to these legal proceedings, the group takes additional measures to ensure that the works are executed correctly. Indeed, during the course of construction at some sites, local residents have available the telephone 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 a weekly basis.

Low-pollution construction

The impact and nuisance caused by the site for local residents and for employees working on the construction site are of many types: demolition and construction waste (residue of cement, plaster, concrete, packaging, etc.), waste water, transportation, noise, dust and sludge, the visual appearance of the site, health risks and hardship for the workers.

To reduce these nuisances, Kaufman & Broad requires them to be taken into account by means of the contractual clauses (community requests or certification rules) or through the group's proactive initiatives.

The group has drawn up a low-pollution charter as part of the implementation of the NF Habitat certification, which is systematically applied for NF Habitat HQE-certified programs.

To ensure compliance with environmental requirements, the group is assisted by an EAPO (Environmental Assistant to the Project Owner). The EAPO attends the first site meeting to raise awareness of low-pollution construction among the main lots and draws up a site report at the end of the program.

Under this charter, Kaufman & Broad:

- complies with current regulations regarding noise pollution, while adapting to the specific requirements of municipalities when they set the working hours for individual sites. For example, the site for the "Nouvel R" program, at Limeil-Brévannes, took into account the nearby school and adjusted the site's working hours on the basis of the times when schoolchildren would be walking 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 at site exits. Depending on the features of the land and the location of the site, these can be washing areas, with jets 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;
- 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.

In 2017, Kaufman & Broad decided to set up environmental monitoring at its Franconville site, in order to monitor a number of measures such as vibrations, noise, air quality, and weather and to collect data to improve site practices and minimize pollution.

1.7.4.4. Business ethics and relationships with subcontractors

1.7.4.4.1. 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.

As part of obligations relating to the entry into force of the Sapin 2 Law, the group has updated its Code of Ethics and created two related procedures, the whistle-blowing procedure and the disciplinary sanctions procedure, applicable to all Group employees as of January 1, 2018. Some existing themes were reviewed and new ones were also addressed, such as: respect for privacy, diversity, anti-money laundering & terrorist financing, and relations with customers, shareholders, suppliers and elected officials. The Code of Ethics refers to dedicated documents on certain topics such as insider trading, and includes, among other things, recommendations on insider trading and the handling of privileged information.

The group's employees are in permanent contact with local elected officials as part of their activity, and these relationships are specifically governed by the Code of Ethics. At the national level, the Group is represented to public decision makers through its membership of the Federation of Real Estate Developers (Fédération des Promoteurs Immobiliers (FPI)).

If an employee is unsure about the legality or legitimacy of an action, he/she should contact the Human Resources department and/or the Legal department.

All employees, regardless of their title or position, must report any potential breach of the Code of Ethics to their line manager or, as the case may be, to the Human Resources department and/or the Internal Audit department. This notification must take place in accordance with the whistle-blowing procedure.

Any breach of the Code of Ethics and applicable laws and regulations exposes the employee responsible to disciplinary sanctions by the Group.

Awareness training on the topics covered in the Code of Ethics will be provided to employees in 2018.

The Group has also begun a mission to identify the various types of data processing that it carries out in the context of its activities, in order to comply with European Data Protection Regulations.

1.7.4.4.2. Purchasing and outsourcing

Selecting companies and suppliers

Kaufman & Broad's policy is generally to choose all its contractors and suppliers through calls for tenders. This applies both to general contractors in charge of all the works on a project and to individual trade contractors tendering for separate portions of a program.

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

Kaufman & Broad checks, against available information, the financial position of its contractors and their financing 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. The use of financial ratings is intended to ensure the soundness and reliability of the companies with which the group enters into contracts.

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, trade contractors are selected and the contracts are signed by type of work and program by program.

Architects, design firms and land surveyors are selected through competitive bidding or private agreements. These parties are chosen on the basis of their technical skills, financial bid, organization and the quality of prior work (see Section 1.1.11 "Builders and suppliers").

Responsibilities of the Project Owner

As 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 the progress of the works and checks the regulatory and contractual compliance of the program's construction.

The construction work itself is carried out by construction companies. The group makes sure that they are administratively current and in good standing, based on their insurance certificates, Social Security contributions and entries in the Trade and Companies 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 other 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.

Risks related to the outsourcing chain

The group relies on numerous suppliers and other companies to carry out its operations. The financial difficulties or even the insolvency of certain of these companies (should they go into court-appointed receivership or liquidation) could have a material adverse impact on the group's business and, in particular, slow construction or increase costs. It could also have a negative impact on the proper discharge of the guarantees (see Section 1.3. "Insurance and risk management"). The group may also suffer adverse consequences, particularly in terms of its image if its suppliers and subcontractors breach or violate an obligation. (see Section 1.2.1.4 "Risks related to the insolvency of companies").

In 2017, training on outsourcing, including administrative dossiers, approvals, and reorganization and judicial liquidation proceedings, was offered to the technical and legal departments by the Human Resources department.

Prevention of undeclared work

When a construction contract is signed, the developer (the principal, with respect to the contractors) is required, under Article D. 8222-5 to 7 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 six months until the completion of the contract.

The group fulfills its verification and enforcement commitments with respect to 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 approvals and for insurance as well as those required in the fight against undeclared work.

Construction site safety

The Law of December 31, 1993 requires the project owner to designate, at the design stage, a Health and Safety Coordinator (HSC).

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 (see Section 1.2.3.1 "Risks related to regulations applicable directly to the group").

The group also entrusts the HSC with a presence control mission to verify that the workers on the construction sites correspond to the personnel declared by the companies.

Dependency on 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 contracts.

The group considers it important to assess its degree of dependence on its main suppliers. In fiscal year 2017, the top 10 suppliers accounted for 21.4% of flows invoiced by suppliers compared to 17.2% in 2016, and the leading supplier accounted for 5.9% of flows compared to 4.1% in 2016.

1.7.4.4.3. Responsible purchasing

For several years, Kaufman & Broad has been engaged in a process to centralize its purchasing and to standardize its procedures for the selection of suppliers, at group level. Centralized purchasing makes it possible to develop long-term relationships with suppliers signing a framework agreement with the group. For Kaufman & Broad, centralized purchasing is also a way to control product quality and guarantee the same level of service and a common image for Kaufman & Broad programs throughout France.

Kaufman & Broad selects its suppliers and the 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 that are committed to environmental problems because they have greater exposure as a result of their size.

The referencing of suppliers applies only to finishing work, since management of the structural work 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.

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 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.

Where possible, the group uses service providers and suppliers who are committed to a responsible approach. For company telephony, Kaufman & Broad is supplied by a provider who practices environmental compensation and offers eco-recycled fixed-line phones.

Methods used in Kaufman & Broad's non-financial reporting for fiscal 2017

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 Decrees No. 2012-557 of April 24, 2012 and No. 2016-1138 of August 19, 2016;
- Law No. 2016-1088 of August 8, 2016 on work, the modernization of social dialogue and professional career security.

- Decree No. 2016-1138 of August 19, 2016, relating to environmental information reported by companies.

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.

Scope of non-financial reporting

Scope of group consolidation

The consolidated financial statements of the Kaufman & Broad group at November 30, 2017 include the financial statements of 348 companies, 306 of which are fully consolidated companies and 42 are recognized using the equity accounting method.

As of November 30, 2017, there is no non-consolidated company that could have a material impact on the Group's consolidated financial statements.

Scope of non-financial reporting

The non-financial data used in the reports are those of 306 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.).

Serge Mas Promotion, Safaur and Seri Ouest, acquired in 2015 and 2016 respectively, are included in the scope.

The 42 jointly controlled companies and those over which the group exercises significant influence are accounted for using the equity accounting method and excluded from that scope are: Real estate partnerships (SCIs), construction/sale companies (SCCVs) or commercial partnerships (SNCs), which are special purpose vehicles with property development programs.

Scope of coverage and reporting period of non-financial indicators

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

The corporate data cover the scope described above, i.e. the GIE, Seri Ouest and Serge Mas Promotion. They are gathered on a calendar year basis – from January 1 to December 31 – in order to ensure consistency with the Human Resources report.

Similarly, the environmental and societal data cover the scope described above, i.e. the GIE, Seri Ouest and Serge Mas Promotion, and, beyond this administrative scope, some indicators cover programs (e.g. construction sites and delivered products). Unless otherwise indicated, all of these indicators follow the accounting year – 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. Nonetheless, beyond the consumption of its agencies, Kaufman & Broad has an interest in its activity in this matter. The group has identified certain Habitat & Environnement-certified programs where water and electricity consumption have been deferred over the life of the project, so that the data is relevant.

Specific natures and changes in scope

The scope varies depending on the companies in which Kaufman & Broad holds direct or indirect control and the integration of the companies acquired with the internal tools and the GIE.

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 contracts, work-study contracts or temporary employees.
- The new hire and termination figures include the corporate officer.
- The CDI turnover rate is calculated using the following formula: $(\text{number of CDI entries} + \text{number of CDI departures}) / 2 / \text{CDI workforce at the start of the period}$.

Promotion and transfer rate

The promotion/transfer rate is calculated according to the following formula: $(\text{number of promotions or transfers during the year}) / \text{number of employees at end of period } N - 1$ (= number of employees at start of period N).

The promotion and transfer (internal mobility) rate concerns all changes in the professional position of the employee, whether it is a change relating to the geographical scope (transfer from one agency to another), the functional scope or the scope of responsibility. All of these changes have to be supported by a supplementary agreement.

If a promotion also gives rise to a transfer, only one change is recorded.

In the event of a transfer followed by a later promotion, two changes are recorded.

Temporary transfers are recorded even though they do not have a permanent effect on the professional position of the employee.

Rules for taking contract transformations into account

- Several consecutive fixed-term contracts or a transformation from a fixed-term contract to an open-ended contract does not give rise to any departure or hire.
- Several consecutive fixed-term contracts or a transformation from a fixed-term contract to an open-ended contract with an interruption to the contract of at least one day gives rise to a departure and a hire.
- Work-study contracts are handled in the same way as fixed-term contracts.

Total hours of training

Total hours of training include the hours invoiced to the group and charged to budget for training. The 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 not included in the headcount. E-learning training hours were recorded for the first time in 2017.

Absenteeism by reason for the calendar year

The absenteeism rate reported is the real rate over the calendar year, from January to December.

Parental leave is not included under absenteeism.

The calculation methodologies are described below.

Absences are recorded in calendar days and a conversion is made into working days of 7 hours. Half-days of absence count as 3.5 hours. As salespeople do not work only on working days, their specific case has been adjusted.

Theoretical hours worked used to calculate the absenteeism rate are calculated as follows: $\text{number of hours per week (35)} \times \text{number of weeks worked in the year (47)} \times \text{average monthly workforce}$.

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.

Proportion of women in management

This indicator specifies the number of women classified as "managers" compared with the number of employees classified as "managers".

Environmental data

Greenhouse gas emissions related to business travel

The report on carbon emissions linked to business travel was prepared in-house for all employees of the group and included: trainees; those under apprenticeship contracts or under professional development contracts; and temporary employees. This was done to obtain the most accurate and representative result.

Business trips by employees with both personal and company cars, by train and by plane billed in 2017 were all taken into account. This assessment was conducted on the basis of the data reported by Kaufman & Broad on mileage allowances, monitored 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 not known, diesel was reported as the type of fuel (more than 80% of the employees use diesel cars) and Neuilly was reported as their affiliation (more than 50% of employees are currently working there).

Emissions by type of transport was calculated for the "Combustion" line item, on the basis of the emissions factors in the Base Carbone carbon emissions database of the French Agency for the Environment and Energy Management (ADEME). These emission factors were updated in 2017.

Estimating the carbon emissions of delivered products

The data are calculated according to surface area delivered and the emission factors in the Base Carbone carbon emissions database, which is based on sectoral benchmarks (HQE, CSTB, ADEME).

Summary of the group's carbon emissions within its administrative scope and activities

The data are taken from the Carbon Report on business travel for 2016 and 2017 (excluding Total cards), estimates based on the emission factors in the Base Carbone by product type for the construction phase of products delivered in 2016 and 2017, excluding logistics activity, and the calculation of the emissions produced by the power consumption of the agencies in 2016 and 2017, based on the emission factor "average mix for consumption" in the Base Carbone.

Water and electricity consumption of agencies

The data are taken from water and electricity bills paid by the group or readings or bills sent by managers.

Consumption at the Seri Ouest and Toulon sites was estimated according to the consumption of the rest of the group and their respective numbers of employees. These two sites represent 5.3% of the group's total workforce.

Program water and electricity consumption

The group aims to monitor these data, but has little control over them as it is only indirectly responsible for them. The data sources are the invoices or the monitoring files communicated by the structural works, the general contractor or the EAPO.

The group publishes data corresponding to bills paid on a pro rata basis throughout the duration of the construction site, for sites which had achieved 100% technical progress during 2017.

This indicator is reported for 37% of construction sites achieving 100% technical progress during the year, excluding JVTs, compared with a coverage rate of 2.5% of projects completed in 2016.

Societal indicators

The group's dependence on suppliers

Civil-law notaries are not considered suppliers, and administrative costs are also excluded (such as: the Registry of the Commercial Court, or the Treasury).

Types of buyers

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

"**Block sales**" occur when the group sells all or part (several housing units, a complete staircase, building, etc.) of its property program to the same buyer.

Social housing as a proportion of production

Social housing is built to accommodate people on low incomes. Rents, and the designation of tenants, are subject to rules set by the State because access to social housing is subject to certain income requirements.

The group declares the proportion of housing units for which access is subject to income requirements, which have a dedicated tax system, and which are managed by a body approved by the State.

This indicator shows the proportion of units reserved by social housing lessors and units that are subject to an ANRU area agreement.

Gathering and internal consolidation of data

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

Data audit and consolidation

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

The reporting data may be subject to correction during the next reporting campaign if a material irregularity is found and provided that such irregularity is substantiated. As applicable, corrections are indicated in the next management report.

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 (Order of May 13, 2013).



BUSINESS AND FINANCIAL REVIEW OF THE KAUFMAN & BROAD GROUP

2

2.1. Key Performance Indicators for the Kaufman & Broad group	92	2.3. Management Discussion and Analysis	107
2.1.1. Significant data	92	2.3.1. Breakdown of deliveries, revenues and gross margin	108
2.1.2. Business Indicators	97	2.3.2. Operating expenses	110
2.1.3. Tracking of Indicators	98	2.3.3. Current operating profit – Operating margin	112
2.1.4. Outlook	104	2.3.4. Other non-recurring income and expenses	112
2.2. Main Income Statement Items	106	2.3.5. Cost of net financial debt	112
2.2.1. Key Figures	106	2.3.6. Net income	112
2.2.2. Sources of net income	106	2.3.7. Income by operating segment	113
		2.4. Liquidity and capital resources	115
		2.4.1. Cash flow	115
		2.4.2. Net debt	116
		2.5. Events after the balance-sheet date	120

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), Multi-occupancy housing such as apartments (which may include mixed-use buildings containing apartments/business premises/retail space/offices), corporate, tourist and student housing, non-assisted living accommodations for older adults and Business property (Commercial property, logistics platforms and retail space).

In addition, the group has business activities connected to the Housing segment, such as the sale of land and building lots, project management contracts and additional housing services known as Showroom services (or Design Spaces). These are grouped under "Other operating activities".

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

- The first criterion concerns the group's geographic presence. The group is present in the major French cities where the market is deeper and more buoyant, and where customers are the 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, be they individual investors ("Pinel", LMNP, LMP, etc.) or institutional investors.

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

2.1.1. Significant data

Macroeconomic data

In 2017, the macroeconomic environment in France continued the improvement seen since the end of 2015:

- With three years of economic growth above 1% (1.2% in 2015, 1.1% in 2016 and 1.9% in 2017), the economic recovery seems to be gaining strength in France, offering a favorable environment for economic players. The OECD forecasts confirm this trend for 2018 and 2019, with growth of 1.8% and 1.7% respectively; the Banque de France anticipates growth of 1.9% in 2018;
- According to INSEE, the unemployment rate, while remaining high, decreased in 2017 to 8.9% of the population in France (excluding Mayotte), the lowest level since early 2009;
- In 2017, household consumption expenditure on goods rose slightly in terms of value (+1.0%), continuing the upward trend observed in 2016 (+1.8%). Energy spending increased slightly between December 2016 and 2017 (+1.7%) after a sharp increase in 2016 (+8.7%). Food purchases remained stable in 2017 (+0.4%). Purchases of durable goods continued to grow (+2.0% in 2017, compared with 2.4% in 2016);
- According to provisional forecasts published in late January, consumer prices would continue to rise in January 2018 at the same moderate pace seen in the past two years (+1.4%, after 1.2% in December 2017) year on year. Inflation has been growing at the same pace for two years, below the European Central Bank's target rate of 2%;
- Thus, interest rates have remained at a historically low level, continuing to favor household and business financing.

This favorable economic environment has supported the growth of the real estate markets in which Kaufman & Broad operates.

Market

- Based on figures available for full-year 2017⁽¹⁾, sales of new homes reached record highs, up 2.1% compared with the same period in 2016 (129,817 sales, compared with 127,185 at end-2016);
- In terms of buyer types (source: FPI), the situation can be broken down as follows:
 - compared with 2016, block sales were the largest contributors to this sales growth, up 30.5% year-on-year, and representing 21.7% of sales⁽¹⁾, while sales to private customers stabilized with a slight increase of +1.1%, i.e. 74.8% of sales. Meanwhile, sales of serviced accommodation decreased by 9.1%⁽²⁾,
 - sales to private customers continued to be driven by both sales to investment consumers (54%) and sales to occupying owners (46%);
- In terms of supply⁽¹⁾:
 - the number of housing units available for sale remained greater than 100,000 units, at 103,922 units, compared with 103,511 units in Q4 2016, i.e. +0.4%,
 - the commercial offer was down by 4.3% in 2017 compared with 2016, amounting to 121,793 housing units (compared with 127,323 in 2016),
 - as a result, the take-up period improved slightly to 9.6 months at the end of 2017 compared with 9.8 months in 2016;
- In terms of new homes under construction⁽¹⁾:
 - building permits were up (8.0%) at end-December 2017 year on year, to 501,200 units,

(1) Based on reports by France's Ministry of Ecology, Sustainable Development and Energy.

(2) Changes based on the Total of New home sales estimated by the FPI at 157,827 new homes in 2017 and 140,018 new homes in 2016.

- the number of new homes under construction increased to 425,200 units (13.2%) year-on-year at the end of January;
- In terms of financing⁽¹⁾:
 - having increased steadily during the last two years (+4.2% in 2016 and +4.8% in 2017), the cost of transactions carried out by households has continued to rise, but at a slower pace than before: (+2.9% year-on-year at the start of 2018). The average relative cost of transactions in 2017 was 4.1 years of revenue, compared with 4.0 years of revenue in 2016, reaching its highest level for the last ten years. At the same time, household incomes are rising but at a slower pace (+1.4% in early 2018 year-on-year, after +2.1% in early 2017 and +1.0% in early 2016),
 - thus, purchasing power remains constrained, and has even decreased, but historically low interest rates and longer loan terms continue to allow households to finance their purchases,
 - indeed, interest rates have remained at historically low levels, although a slight recovery began in 2017, with 20-year credit rates rising from 1.6% at the end of 2016 to 1.7% at the end of 2017⁽¹⁾. This trend of slow interest rate increases is expected to continue: the 10-year OAT was 0.79% at the end of 2017 and could reach 0.93% by the end of 2018 (the Agefi Panel, *l'Agefi Quotidien*, March 5, 2018 edition), without, however, curbing real estate purchases,
 - moreover, in the fourth quarter of 2017, according to the Credit Observatory, the duration of the loans granted, being 219 months on average, i.e. 18.3 years, were up 0.5 months year-on-year, from 17.8 years in 2016.

Commercial property market in France

- In France in 2017, the market for new and existing commercial real estate fell from €31 billion in 2016 to €26 billion in 2017 (-16.1%), encompassing offices, logistics warehouses, shops, and hotel facilities;
- In the two markets in which Kaufman & Broad operates (Offices and Logistics), the respective increases were approximately 4%, to €18,905 million, and approximately 16%, to €1,956 million. Take-up for new office space increased by 8% to 2.6 million sq.m in 2017, compared with 2.4 million sq.m in 2016, higher than the average in the last ten years, which stands at around 2.3 million sq.m;

- In Ile de France :
 - Île-de-France represented 87% of transaction volumes, and more than 70% of these transactions represented amounts greater than €100 million,
 - although the available supply remains significant, representing 3.4 million sq.m at the end of December 2017, this mainly concerns obsolete buildings, while demand is concentrated on new buildings,
 - in the sale before completion market in the Offices segment, investments increased by around 12% to €2.9 billion.

Kaufman & Broad

Earnings for 2017 are part of the growth momentum that has been underway for four years now. For the fourth year in a row, the indicators of sales activity and property development for the group improved:

- Property portfolio: 27,775 units; +14.2% (in units);
- Housing orders: €1,790.1 million including taxes; +16.3%;
- Typology of orders:
 - investors: 42% in 2017 vs. 49% in 2016,
 - home buyers: 26% (17% first-time home buyers and 9% second-time buyers) compared to 27% in 2016 (19% first-time buyers and 8% second-time buyers),
 - blocks: 32% compared to 23% in 2016;
- Take-up rate: 5.1 months (-1.2 months vs. 2016);
- Number of housing units delivered: 7,843; + 19.8%;
- Overall Orders (including Business Property): €1,848 million excluding taxes; +16.1%;
- Overall earnings figures: €1,390.8 M HT; + 12.3%.

Significant events of the period

Kaufman & Broad SA shares admitted to the “long only” Deferred Settlement Service (SRD)

As part of the annual review of its deferred settlement service (*Service de Règlement Différé – SRD*), Euronext informed Kaufman & Broad SA that its securities were eligible for the “long only” SRD effective December 28, 2016. This status is granted to securities listed on Euronext Paris with a minimum daily transaction volume of €100,000. It highlights and supports the growing liquidity and attractiveness of Kaufman & Broad securities for investors.

Kaufman & Broad shares eligible for the PEA-PME share savings plan

Today, Kaufman & Broad announced on February 20, 2017 that its shares are eligible for the PEA-PME plans created by the 2014 Budget Act of December 29, 2013; the terms of the plans are set out in the implementing provisions of Decree 2014-283 dated March 4, 2014.

(1) *Observatoire du Crédit and Guide du Crédit.*

Payment of the dividend in shares for the fiscal year ended November 30, 2016

The Shareholders' Meeting of Kaufman & Broad S.A., at its meeting of May 11, 2017, resolved to propose to shareholders the option of payment in shares of the dividend for the fiscal year ended November 30, 2016. The issue price of these new shares has been set at €30.13, corresponding to 90% of the average listed price of Kaufman & Broad stocks on Euronext Paris in the 20 trading sessions preceding the date of the aforementioned Shareholders' Meeting, minus the net amount of the dividend of €1.85 per share, rounded up to the nearest euro cent. For the payment of the dividend in shares, 947,146 new shares were issued, representing 4.55% of the share capital and 4.57% of the voting rights of Kaufman & Broad S.A. on the basis of the share capital and voting rights at May 31, 2017. The settlement and delivery of the shares and their admission to trading on the Euronext Paris regulated market took place on June 2, 2017.

On May 31, 2017, in order to maintain unchanged the number of share on a fully diluted basis, Kaufman & Broad canceled 947,136 treasury shares. The impact of this cancellation of €29.9 million was charged to "Other reserves". The authorized capital remained unchanged after this operation.

The total cash dividend paid to shareholders not opting for payment in shares, and the balance paid to shareholders opting for payment of the dividend in shares, was €7.6 million and was paid on June 2, 2017.

Kaufman & Broad joins the "MSCI Global Small Cap Index"

Kaufman & Broad announced its inclusion into the "MSCI Global Small Cap Index" effective as of June 1, 2017. This inclusion highlights and supports the growing liquidity and attractiveness of Kaufman & Broad securities for investors.

Capital increase reserved for Kaufman & Broad employees "KB ACTIONS 2017"

On September 21, 2017, Kaufman & Broad S.A. announced the launch of its "KB Actions 2017" leveraged share ownership offer with investment guarantee, reserved for employees of the group subscribing to the savings plan. On November 30, 2017, Kaufman & Broad S.A. recorded an increase in its capital resulting from subscriptions to the KB Actions 2017 offer.

The offer was very successful, with 65.4% of eligible employees signing up. A total number of 236,496 shares were thus subscribed through the KB Actions 2017 FCPE for €7,357,390.56.

The capital increase resulting from the offer increased the portion of the share capital held by the group's employees via various ownership mechanisms as of November 30, 2017 to nearly 14% (including the shares held by the KB Actions 2017 FCPEs and the Kaufman & Broad Actionnariat FCPE proposed under the savings plan, shares from bonus share plans and shares held in the company Artimus Participations).

The 236,496 new shares issued pursuant to the offer are common stocks, fully equivalent to the existing shares and with current rights.

At November 30, 2017, Kaufman & Broad's authorized capital was €5,479,119.10, divided into 21,073,535 common stocks with a nominal value of €0.26 each. The weighted average number of common stocks outstanding totaled 19,938,096 shares at November 30, 2017, excluding treasury shares, compared with 19,621,425 shares excluding treasury shares at November 30, 2016.

Refinancing Kaufman & Broad's bank debt

On May 18, 2017, Kaufman & Broad carried out a "Euro PP" bond issue for €150 million as part of a private placement for institutional investors in Europe. The private placement comprised one 7-year tranche of €50 million (maturing in May 2024) with a fixed annual coupon of 2.879%, payable on May 31 of each year, and one 8-year tranche of €100 million (maturing in May 2025) with a fixed annual coupon of 3.204%, payable on May 31 of each year. The group used this loan to refinance its existing senior banking debt for €100 million and as a new financial resource to support its growth.

Disposal of PAI Partners' equity interest in Kaufman & Broad SA

In early 2016, PAI Partners announced its intention of reducing its holding in the share capital of Kaufman & Broad, in which the investment company had a stake of 88.64% through the companies Financière Gaillon 8 and Financière Daunou 10. At November 30, 2016, Financière Gaillon 8 held a 35.76% stake in Kaufman & Broad S.A.'s share capital and 55.61% of the voting rights, and the free float amounted to 48.16% of Kaufman & Broad S.A.'s share capital. Financière Gaillon 8 sold 62,800 Kaufman & Broad S.A. shares for €2 million to Artimus Participations, and in February 2017 sold 3,700,000 Kaufman & Broad S.A. shares representing 17.76% of Kaufman & Broad S.A.'s share capital via an accelerated private placement for €133 million. As a result of these sales, Financière Gaillon 8 holds 3,688,585 shares in Kaufman & Broad S.A., representing 17.70% of Kaufman & Broad S.A.'s share capital. Other disposals subsequently took place. On November 30, 2017, PAI Partners therefore no longer held any shares or voting rights in Kaufman & Broad S.A.

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:

Fiscal year ended November 30 (in € thousands)	2017	2016
Revenues	1,390,798	1,238,002
<i>of which Housing</i>	<i>1,213,719</i>	<i>1,060,008</i>
Gross margin	269,132	235,605
<i>Margin rate</i>	<i>19.4%</i>	<i>19.0%</i>
Current operating income	117,956	101,258
<i>Adjusted EBIT^(a)</i>	<i>126,127</i>	<i>108,667</i>
Operating income	117,956	101,258
Income (loss) of the consolidated group	84,867	67,479
ATTRIBUTABLE NET INCOME	59,118	46,034
Net earnings per share ^(b)	€2.81	€2.21
TOTAL ORDERS (INCLUDING VAT)	1,940,526	1,816,235
<i>Total backlog (excluding VAT)</i>	<i>1,847,979</i>	<i>1,592,235</i>

(a) Adjusted EBIT is equal to Current operating income adjusted for borrowing costs ("Revised IAS 23") which are capitalized and recognized in gross margin. The amount included in the gross margin at November 30, 2017, amounted to €8.2 million, or 3.0% of gross margin, compared to €7.4 million at November 30, 2016. (see footnote (b) in Section 2.3.1.1. "Breakdown by product line").

(b) Based on the number of securities making up the share capital at the end of the reporting period, i.e. 20,837,039 at November 30, 2016 and 21,073,535 at November 30, 2017 following the issue of 236,496 new shares as part of the capital increase reserved for employees.

Fiscal year ended November 30 (in € thousands)	2017	2016
Assets		
Non-current assets	187,155	171,818
Current assets	1,146,136	1,026,275
TOTAL ASSETS	1,333,291	1,198,093
Equity and liabilities		
Shareholders' equity	215,442	145,767
Non-current liabilities	334,672	260,062
Current liabilities	783,177	792,264
TOTAL EQUITY AND LIABILITIES	1,333,291	1,198,093

Fiscal year ended November 30*(in € thousands)*

	2017	2016
Cash flow before cost of financial debt and tax	138,022	121,208
Tax paid	(25,816)	(27,135)
Change in Working Capital Requirement	(5,343)	(15,483)
CASH FLOW FROM OPERATING ACTIVITIES	106,863	78,590
CASH FLOW PROVIDED BY (USED IN) INVESTING ACTIVITIES	(13,759)	(25,524)
CASH FLOW PROVIDED BY (USED IN) FINANCING ACTIVITIES	9,852	(104,319)
Increase (decrease) in cash	102,956	(51,253)
Cash at beginning of the period	118,108	169,361
Cash at end of the period	221,065	118,108

Group consolidated revenues for fiscal year 2017 totaled €1,390.8 million, up 12.3% compared to €1,238.0 million in 2016.

Housing segment revenues were up 14.5% to €1,213.7 million from €1,060.0 million for fiscal year 2016. This increase is attributable to revenues from the Multi-occupancy housing segment rising by €151.4 million (+14.9%) between 2017 and 2016, while revenues for the Single-family homes segment was up €2.3 million. The Housing segment accounted for 87.3% of total revenues in 2017 versus 85.6% in 2016.

Multi-occupancy housing revenues totaled €1,169.1 million in 2017, versus €1,017.7 million in 2016. Île-de-France accounted for 35.2% of these revenues and 96.3% of the Housing segment total, versus 96.0% in 2016.

Revenues from Single-family homes in communities totaled €44.6 million, versus €42.3 million in 2016, up 5.4%. Île-de-France accounted for 33.8% of revenues for this segment versus 47.6% in 2016.

Business property generated revenues of €165.3 million, versus €171.1 million in 2016.

The total gross margin rose 14.2% compared to 2016. It amounted to €269.1 million, versus €235.6 million in 2016. The overall gross margin rate was 19.4%, up +0.4% compared to 2016. This increase is due to the change in the Housing-Business property mix in the group's business activities. The Housing gross margin totaled €227.8 million, up 14.4% compared to 2016, when it totaled €199.2 million. The gross margin rate of Housing revenues remained the same at 18.8%.

Current operating profit was up 16.5%, from €101.3 million in 2016 to €118.0 million in 2017. This improvement is primarily due to a €33.5 million increase in gross margin that was partially offset by a

€16.9 million increase in operating expenses (see Section 2.3.2 "Operating expenses").

The pre-tax income of consolidated companies rose 14.4% from €98.1 million in 2016 to €112.2 million. This increase is mainly due to a €16.7 million rise in operating income. Financial expenses amounted to €2.6 million (€5.8 million in 2017, versus €3.2 million in 2016).

Consolidated net income totaled €84.9 million, versus €67.5 million in 2016. Minority interests were up €4.3 million to €25.7 million, versus €21.4 million in 2016. Attributable net income amounted to €59.1 million, up 28.4% compared to 2016.

At November 30, 2017, Kaufman & Broad's balance sheet total was €1333.3 million, versus €1,198.1 million at November 30, 2016. Shareholders' equity amounted to €215.4 million at the end of 2017, i.e., a €69.7 million increase from 2016. This is attributable mainly to a €53.6 million increase in reserves, a €13.1 million increase in net income, and an inclusion of €4.3 million in income outside the group reduced by €1.3 million in minority interests.

At November 30, 2017, net financial debt was €33.1 million, down by €52.0 million from November 30, 2016. The items responsible for this decrease are described in Section 2.4.1. "Cash flow". Gearing (the net debt to shareholders' equity ratio) was 15.4%, versus 58.4% at November 30, 2016.

The group's cash increased from €118.1 million at the 2016 fiscal year-end to €221.1 million at November 30, 2017. Kaufman & Broad's financing capacity thus totaled €321.1 million. A detailed analysis of this change is presented in Section 2.4.1. "Cash flow".

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 the multi-occupancy housing programs, which include mixed-use buildings (apartments/business premises/retail space/offices) and managed accommodation (corporate, tourist, student or non-assisted senior accommodation), all floor space is converted into housing unit equivalents.

The *Commercial offer* is 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).

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.

The *units* make it possible to define the number of housing units, or Equivalent Housing Units (for mixed-use programs), for any given program; units are calculated on a per-program basis, with the following being considered as housing units: "Apartments", "Single-family homes in communities" and "subdivisions and building lots". Consequently, a housing unit (or lot) is equal to one unit. For business premises, retail space and small office spaces, an equivalent housing unit calculation is then applied based on the average area of the housing units in said 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. The number of EHUs is calculated on a per-program basis and is equal to the product of (i) the number of housing units 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, one housing unit sold under a program for which 30% of total costs have been incurred would result in an EHU of 0.3.

Backlog includes, for Sales Before Completion (VEFA), undelivered ordered units for which a notarized deed of sale has not yet been signed, and the incomplete portion of undelivered units not yet recognized in revenue, for which a notarized deed of sale has been signed (for a program that is 30% complete, 30% is recognized in revenue and 70% remains in the backlog).

Backlog is a summary at any given point in time that makes it possible to estimate the remaining revenues to be recognized over the coming months and as such to confirm the group's projections. It should be noted that there is an element of uncertainty regarding the conversion of backlog into income, particularly for orders that have not yet been officially notarized.

The *property portfolio* represents all real estate for which a commitment (such as a contract for sale) has been signed.

The *housing reserve* 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.

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.

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 for sale end of period ^(a)	Net orders ^(b)	Housing units offered for sale ^(c)	Programs being marketed ^(d)	Employees at November 30 ^(e)
Fiscal year 2017	3,835	9,027	8,709	218	848 (207 from the marketing and sales departments, 204 from the property appraisal and development departments, 219 from the technical department and 218 administrative and central support employees)
Fiscal year 2016	4,196	8,017	9,080	207	780 (194 from the marketing and sales departments, 179 from the property appraisal and development departments, 201 from the technical department and 206 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 orders canceled 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.

(e) GIE employees (excl. Financière Gaillon 8, Serge Mas Promotion and Seri Ouest).

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

	Living area (excluding parking)	Sales price range (including VAT) ^(a)	Average price ^(a)
Île-de-France			
Single-family homes in communities	75 to 145 sq.m	€258,000 to €652,000	€365,492
Multi-occupancy housing ^(b)	21 to 124 sq.m	€2,474 to €10,562/sq.m	€4,262/sq.m
Regions			
Single-family homes in communities	61 to 112 sq.m	€187,000 to €476,000	€271,733
Multi-occupancy housing ^(b)	14 to 143 sq.m	€1,387 to €8,553/sq.m ^(c)	€4,094/sq.m

(a) Based on housing units ordered, sold and delivered in fiscal year 2017 (non-representative cases excluded).

(b) Including student rooms and managed products.

(c) Excluding the Saint-Tropez programs which bring the high price range for Multi-occupancy/Region to €18,062 per sq.m.

Kaufman & Broad's Single-family homes in communities and Multi-occupancy housing 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. Multi-occupancy housing units have a minimum surface

area of 14 sq.m (due to managed accommodation such as student residences) and range up to 143 sq.m at an average price of €4,094/sq.m in the provinces and €4,262/sq.m in Île-de-France. The maximum price per sq.m can reach close to €10,562 for developments in Paris where real estate prices remain high. For single-family homes, surface areas vary between 61 sq.m and 112 sq.m in other regions. The average price of single-family homes is €271,733 in other regions and €365,492 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, Multi-occupancy housing and Business property, in volume and in value, for all four quarters of fiscal years 2015 and 2016.

Housing Segment	Number of net orders ^(a)	Orders in value (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, 2017						
First quarter	52	11,336	24	280	50,968	14.8
Second quarter	43	9,280	58	265	46,918	14.2
Third quarter	115	40,706	54	326	70,688	21.9
Fourth quarter	105	28,521	88	343	78,704	21.2
TOTAL	315	89,843	224	-	-	-
Fiscal year ended November 30, 2016						
First quarter	37	10,991	33	261	49,345	13.4
Second quarter	71	17,043	56	218	42,532	11.5
Third quarter	27	7,336	50	195	37,074	10.3
Fourth quarter	103	25,269	46	252	47,885	13.6
TOTAL	238	60,639	185	-	-	-

- (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 per program and is equal to: (i) the number of housing units of a given program for which a notarized 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, one housing unit sold under a program in which 30% of the costs have been incurred would result in 0.3 EHUs.
- (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).

Housing Segment	Number of net orders ^(a)	Orders in value (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)
Multi-occupancy housing						
Fiscal year ended November 30, 2017						
First quarter	1,748	325,224	1,532	8,893	1,360,775	15.4
Second quarter	2,257	438,942	1,857	9,274	1,440,947	15.6
Third quarter	1,664	341,179	1,746	9,192	1,459,237	15.2
Fourth quarter	3,043	594,868	2,484	9,729	1,591,472	16.3
TOTAL	8,712	1,700,213	7,619	-	-	-
Fiscal year ended November 30, 2016						
First quarter	1,475	273,018	1,224	7,348	1,077,501	13.7
Second quarter	1,934	372,476	1,485	7,855	1,177,734	14.8
Third quarter	1,684	333,586	1,396	8,263	1,245,815	15.1
Fourth quarter	2,686	499,888	2,255	8,691	1,312,320	15.5
TOTAL	7,779	1,478,968	6,360	-	-	-

- (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 per program and is equal to: (i) the number of housing units of a given program for which a notarized 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, one housing unit sold under a program in which 30% of the costs have been incurred would result in 0.3 EHUs.
- (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).

Business property	Sq.m ordered	Orders in value (in € thousands, including VAT)	Backlog in value (in € thousands, excluding VAT)
Fiscal year ended November 30, 2017			
First quarter	–	–	178,613
Second quarter	–	–	140,720
Third quarter	108,562	108,628	194,715
Fourth quarter	10,730	35,700	174,707
TOTAL	119,292	144,328	-
Fiscal year ended November 30, 2016			
First quarter	–	120	158,099
Second quarter	25,459	221,713	238,270
Third quarter	9,714	29,742	244,997
Fourth quarter	6,859	23,040	230,376
TOTAL	42,032	274,375	-

2.1.3.1.1. Orders

2.1.3.1.1.1. Housing segment

In fiscal year 2017, 9,027 net housing unit orders were recorded, versus 8,017 in 2016, an increase of 12.6%. In value, orders rose 22.8% to €1,790.1 million (including VAT), compared to €1,539.6 million (including VAT) in 2016. Sales recorded an increase in housing orders of +12.6% in

volume and +16.3% in value compared to 2016. The Housing segment accounted for 92.2% of all group orders in value versus 84.8% in 2016.

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 2017 and 2016 (December 1 to November 30).

	Number of single-family homes ordered				Number of multi-occupancy housing units ordered			
	2017	%	2016	%	2017	%	2016	%
Île-de-France	150	48%	65	27%	2,996	34%	2,672	34%
Regions	165	52%	173	73%	5,716	66%	5,107	66%
TOTAL	315	100%	238	100%	8,712	100%	7,779	100%

Multi-occupancy housing

In fiscal 2017 as a whole, 8,712 Multi-occupancy housing units were ordered versus 7,779 in 2016, a 12% increase. Multi-occupancy housing orders totaled €1,700.2 million (including VAT), versus €1,479.0 million (including VAT) in 2016, a 15% increase (+€221 million). This rise is the result of the +11.9% increase, i.e. 609 orders, in other regions for an additional €93.9 million (10.1%), along with a rise of 12.1% in the volume of orders in Île-de-France and a 23.1% increase in their value.

Multi-occupancy housing orders were at 34.4% in volume and 40% in value in Île-de-France, versus 34.3% and 37.3% in 2016,

respectively. Multi-occupancy housing accounted for the largest share of Kaufman & Broad orders, reaching 87.6% in value and 96.3% in volume of its total orders versus, respectively, 81.4% and 96.6% in 2016.

Single-family homes in communities

There were 315 orders for Single-family homes in communities, amounting to €89.8 million, versus 238 orders amounting to €60.6 million in 2016. The number of orders on Single-family homes in communities grew by +130.8% in Île-de-France and fell -4.6% in other regions. Île-de-France contributed up to 47.6% in volume and 61% in value for these orders versus, respectively, 27.3% and 32.4% in 2016.

Orders by operating segment

Fiscal year ended November 30	2017			2016		
	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	2,936	664,413		2,737	571,714	–
Housing	2,936	664,413	226.3	2,737	571,714	208.9
Business property	–	–	–	–	–	–
Other	–	–	–	–	–	–
West	1,221	210,709		1,020	190,391	–
Housing	1,197	182,421	152.4	981	165,305	191.4
Business property	–	–	–	–	23,040	–
Other	24	1,287	–	39	2,047	–
Southwest	2,630	498,680		2,469	456,292	–
Housing	2,630	484,870	184.4	2,469	440,625	169.4
Business property	–	8,956	–	–	15,667	–
Other	–	4,855	–	–	–	–
Southeast	1,030	199,346		998	214,963	–
Housing	1,030	199,346	193.5	998	214,963	215.4
Business property	–	–	–	–	–	–
Other	–	–	–	–	–	–
Rhône-Alpes	849	160,254		600	113,216	–
Housing	849	160,254	188.8	600	113,216	188.7
Business property	–	–	–	–	–	–
Other	–	–	–	–	–	–
Other Regions	175	28,986		232	33,786	–
Housing	175	28,986	165.6	232	33,786	145.6
Business property	–	–	–	–	–	–
Other	–	–	–	–	–	–
Commercial property and logistics^(b)	210	178,138		–	235,873	–
Housing	–	69,766	–	–	–	–
Business property	–	108,372	–	–	235,873	–
Other	–	–	–	–	–	–
TOTAL GROUP	9,051	1,940,526		8,056	1,816,235	–
Housing	9,027	1,790,056	198.3	8,017	1,539,608	192.0
Business property ^(c)	–	144,328	–	0	274,580	–
Other ^(a)	24	6,143	–	39	2,047	–

(a) Land, building lots.

(b) See Section 2.1.3.1.1.2. "Business property".

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

Geographically, the Housing segment in Île-de-France recorded an increase of 14.9% in volume and 28.4% in value compared to 2016. The Regions posted an 11.4% increase in volume and 9.1% in value. Île-de-France's share in the Housing segment rose to the detriment of other regions. The Regions represented 65.1% in volume and 59% in value of the group's housing unit orders, compared to 65.9% in volume and 62.9% in value in 2016.

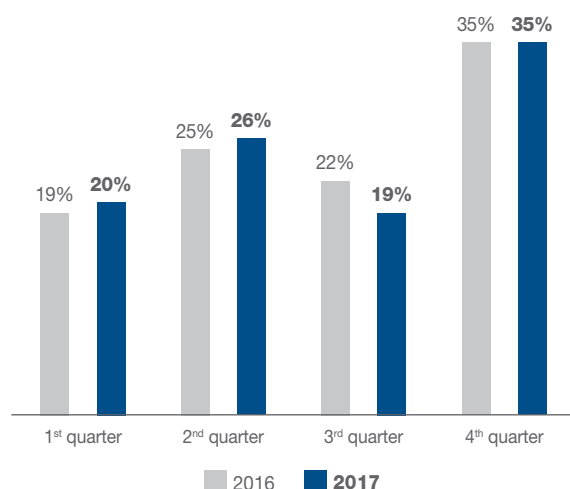
In 2017, the Southwest (Toulouse, Bordeaux, Bayonne, Montpellier, La Rochelle and Perpignan) accounted for 29.1% of total housing order volume, versus 13.3% for the West (Upper Normandy, Caen, Rennes, Val de Loire, Nantes, Lille Flandre Promotion) and 11.4% for the Southeast (Marseille, Toulon, Nice) and 9.4% for the Rhône-Alpes region (Lyon, Grenoble, Annecy). At the same time, the contribution from Île-de-France remained stable at 37.1% in value, and decreased from 34.1% to 32.5% in volume.

Over the course of one year, the average price of the group's housing unit orders increased 3.3%, from €192.0 thousand (including VAT) per home in 2016 to €198.3 thousand (including VAT) per home in 2017.

The price increase concerned Île-de-France (11.7%), while other regions posted a 2.1% decline compared to 2016.

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

MULTI-OCCUPANCY HOUSING

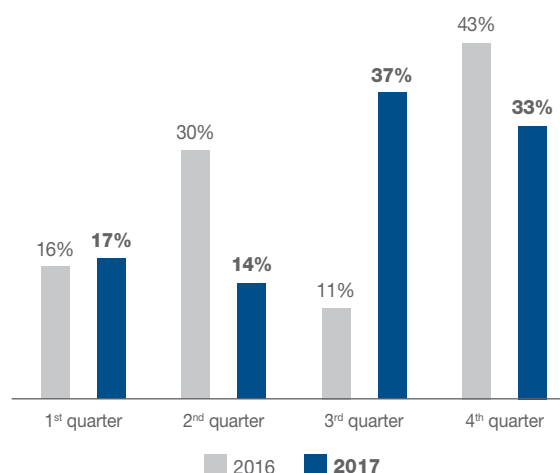


The fourth quarter of fiscal year 2017 recorded the highest number of orders in multi-occupancy housing, while the first and third quarters were in line with historical trends due to the larger number of commercial launches in the spring and at the end of the year. The seasonal nature is more distinct and less consistent for single family home developments in communities due to weaker volumes in activities, which is more sensitive to changes in commercial launches from one quarter to the other.

2.1.3.1.1.2. Business property

In fiscal year 2017, Business property orders reached €144.3 million (including VAT), compared to €274.6 million (including VAT) in 2016.

SINGLE-FAMILY HOMES IN COMMUNITIES



The group launched construction work for two Q3 2017 logistics developments in Montauban (approximately 71,000 sq.m) and in Châtres (approximately 38,000 sq.m), and ordered more than 7,000 sq.m for an office development in Loos near Lille.

2.1.3.1.2. Backlog (order book)

At November 30, 2017, the total backlog amounted to €1,848 million (excluding VAT) versus €1,592.2 million (excluding VAT) at November 30, 2016, representing an increase of 12.7%.

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 2017 and 2016 (December 1 to November 30).

	Backlog in number of Single-family homes				Backlog in number of Multi-occupancy housing			
	2017	%	2016	%	2017	%	2016	%
Île-de-France	138	40%	43	17%	3,127	32%	2,692	31%
Regions	205	60%	209	83%	6,602	68%	5,999	69%
TOTAL	343	100%	252	100%	9,729	100%	8,691	100%

The Housing backlog totaled 10,072 units, compared to 8,943 units at November 30, 2016, a 12.6% rise. In value, it recorded a 22.8% rise compared to the end of 2016 and totaled €1,670.2 million (excluding VAT) at November 30, 2017.

Multi-occupancy housing

The multi-occupancy housing backlog totaled €1,591.5 million in 2017, an increase of 21.3% compared to the end of 2016, when it totaled €1,312.3 million. In volume, it amounted to 9,729 units, compared to 8,691 units in 2016, an increase of 11.9%. In Île-de-France, the Multi-occupancy housing backlog rose 16.2% in volume and 23.5% in value. Additionally, orders continued to rise in other regions with a 10.1% and 20.0% increase in volume and value, respectively.

Single-family homes in communities

The backlog for Single-family homes in communities totaled €78.7 million with 315 units, i.e., an increase of 36.1% in volume but a 64.4% increase in value compared to November 30, 2016, when it totaled €47.9 million with 252 units. This increase in value is more localized in Île-de-France where values tripled compared to 2016, versus a +1.6% increase in other regions. At November 30, 2017, Île-de-France recorded a backlog of 138 single-family homes for €41.8 million, versus 43 units for €11.6 million at the end of 2016. In other regions, the backlog reached 205 units for €36.9 million, versus 209 units for €36.3 million in 2016.

Backlog by operating segment

		2017			2016		
Fiscal year ended November 30		Backlog in value (in € thousands, including VAT)	Average price (in € thousands, including VAT)	Backlog in number	Backlog in value (in € thousands, including VAT)	Average price (in € thousands, including VAT)	Backlog in number
Île-de-France		3,265	629,529		2,735	487,404	
	Housing	3,265	629,529	176.3	2,735	487,404	178.2
	Business property	–	–	–	–	–	–
	Other	–	–	–	–	–	–
West		1,287	188,370		1,353	184,265	–
	Housing	1,236	159,976	119.5	1,315	164,194	134.9
	Business property	–	25,298	–	–	18,417	–
	Other	51	3,096	–	38	1,654	–
Southwest		3,021	465,929		2,672	384,095	
	Housing	3,015	458,985	134	2,666	370,859	134.2
	Business property	6	6,944	–	6	13,236	–
	Other	–	–	–	–	–	–
Southeast		1,183	183,003		1,161	187,214	–
	Housing	1,183	183,003	163.9	1,161	186,978	161.0
	Business property	–	–	–	–	236	–
	Other	–	–	–	–	–	–
Rhône-Alpes		1,012	159,442		751	113,591	–
	Housing	1,012	159,442	152.8	751	113,591	151.3
	Business property	–	–	–	–	–	–
	Other	–	–	–	–	–	–
Other Regions		151	21,102		315	37,180	–
	Housing	151	21,102	119.9	315	37,180	118.0
	Business property	–	–	–	–	–	–
	Other	–	–	–	–	–	–
Commercial property and logistics^(b)		210	200,603		–	198,487	–
	Housing	210	58,138	–	–	–	–
	Business property	–	142,485	–	–	198,487	–
	Other	–	–	–	–	–	–
TOTAL GROUP		10,129	1,847,978		8,987	1,592,234	
	Housing	10,072	1,670,175	151.2	8,943	1,360,204	152.1
	Business property ^(c)	6	174,707	–	6	230,376	–
	Other ^(a)	51	3,096	–	38	1,654	–

(a) See Section 2.1.3.1.1.2. "Business property".

(b) Offices, shops, business premises, logistical warehouses, etc.

(c) Land, building lots.

The Housing backlog in Île-de-France rose by 19.4% in volume and 29.2% in value compared to the previous year. During the same period, the Regions were up 9.6% in volume and 19.2% in value. The Île-de-France share of the Housing backlog rose compared to other regions, to 32.4% in volume and 37.7% in value at the end of November 2017, versus 30.6% in volume and 35.8% in value at the end of November 2016. The Southeast (Marseille, Toulon, Nice) accounted

for 11% in value, versus 27.5% for the Southwest (Toulouse, Bordeaux, Bayonne, Montpellier, La Rochelle and Perpignan) and 20.4% for the other operating segments (West/Rhône-Alpes and Other Regions).

At November 30, 2017, the Housing backlog was equivalent to 16.5 months of business, compared to 15.4 months at November 30, 2016.

2.1.4. Outlook

The long-term market for new homes, in which Kaufman & Broad operates, is expected to continue to be buoyed over the next decade by economic, social and demographic factors such as:

- expected demographic growth of more than 8 million people by 2050, which would increase the French population to 74 million. This growth is mainly due to the proportion of over-65s, which is expected to grow in number by 8.6 million over the period to represent 27% of the population, compared with 17% today. (Source: Insee, *Insee Première* study No. 1652, published on 06/22/2017);
- the ongoing phenomenon of population concentration in the main agglomerations, to the detriment of rural areas;
- the adaptation of the existing building stock, made necessary by climatic constraints and more stringent environmental standards.

In the long term, these factors will bring growth and a favorable outlook for the development market in which Kaufman & Broad operates, but will require an adaptation of supply.

To address these long-term issues, Kaufman & Broad has, among other things:

- created Cosy Diem, in order to develop a relevant offer for seniors looking for homes and services appropriate for the needs of the elderly and seniors;
- developed its innovating capacity thanks to the creation of an Innovation Department.
- made a commitment to an environmental and societal policy;
- created a Major Urban Projects department which aims to support local communities in the creation of new-generation eco-urban projects.

12-month housing market

Since 2015, the market has registered three years of strong growth (+20.5% in 2015, +26.8% in 2016 and finally +2.1% in 2017 for new

home orders), reaching its highest level for ten years. The continued increase is largely attributable to two residential market drivers: interest rates; and public support measures, with respect to both homeownership with the zero-interest loan (PTZ) and rental investment with the Pinel incentive.

These two factors should continue to drive the markets in 2018,

- with interest rates which should remain at historically low levels, although expected to rise moderately in the coming quarters;
- and the PINEL and PTZ measures extended for four years for zones A, A' and B1, markets in which Kaufman & Broad operates (94% of commercial supply in high-demand, low-supply areas), which will continue to offer visibility and market stability.

Regarding social housing, which accounts for about 25% of sales in units, the government has decided to increase VAT from 5% to 10% and to decrease rents, which could temporarily slow down demand from social housing providers, particularly in areas that are not high-demand, low-supply: however, this should only affect Kaufman & Broad marginally.

In this context, Kaufman & Broad expects to see a rather stable market of between 125,000 and 130,000 units in 2018.

Business property market

The current economic situation is expected to lead the ECB to gradually reduce its accommodative policy, but without creating the long-term interest rate tensions in the eurozone, and specifically in France over the coming quarters (10-year OAT: 0.8% at end-2017 and 0.93% at end-2018, according to the Agefi Panel). Thus, and in this economic context, this asset class should continue to attract strong demand from investors with "prime" rates of return remaining at historically low levels.

In this context and on the basis of indicators at the end of 2017, Kaufman & Broad expects the market to remain dynamic in both the Offices and Logistics segments.

General outlook

In this context, Kaufman & Broad's outlook should be positive, with, in 2017:

- a land reserve of +14.2% in units;
- a financial backlog: +16.1%;
- more than 150,000 sq.m of office space and 200,000 sq.m of logistics warehouse space under development.

In terms of activity:

The Company intends to pursue its development and a policy of offering products that correspond to the financial capacities of its customers, in order to take advantage of changes in its markets:

- by strengthening its leading positions in the regions and developing its territorial network, including through major urban projects, in order to gain access to significant land potential, particularly in the Île de France region;
- by remaining attentive to external growth opportunities that could enable it to strengthen its geographical coverage and its territorial network;

- by pursuing and capitalizing on the development of Commercial property in the regions, and specifically in the major regional cities and maintaining the development momentum in Île-de France;
- by strengthening its offer of accommodation whether for students, hotels, or seniors, in the case of the latter with the ramp-up of the partnership with Serenis through Cosy Diem.

In terms of financial indicators:

The group will pursue the objectives it has been setting for itself for several years:

- controlling costs;
- achieving control of WCR trends and generating material operating cash flow;
- controlling commitments and related risks.

This policy is expected to maintain ROCE at a satisfactory level.

In this context, and based on an expectation of stable interest rates, Kaufman & Broad estimates that its revenues will grow by around 8% to 10% in the full-year 2018. The gross margin rate is expected to remain at around 19% and adjusted EBIT to be between 8.5% and 9%, with a level of home orders comparable to that of last year, and between €200 and €300 million of new orders for the Business property division in the next 12 months.

Land reserve

Lots available for development by 2019 (at November 30, 2017)

	In units	Estimated sq.m ^{(c) (d) (e)}
Land to be developed ^(a)	27,812	1,997,260
Single-family homes	1,110	98,835
Multi-occupancy housing	26,665	1,544,931
Commercial property	29	286,494
Other	8	67,000
Land under survey ^(b)	7,099	566,285
Single-family homes	198	17,365
Multi-occupancy housing	6,886	409,654
Commercial property	15	139,266
Other	—	—
TOTAL – FRANCE	34,911	2,563,545

(a) Land for which a sales deed or a contract of sale has been signed.

(b) Land for which a sales deed or a contract of sale 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, 2017, the group's total property portfolio represented 27,755 lots, i.e., four years of future business. The Office property portfolio, meanwhile, included more than 286,494 sq.m of net surface area. The business potential for the group by 2019 thus represents 34,859 lots including 7,084 housing units and 139,266 sq.m of offices on land currently in the survey phase.

For fiscal 2018 as a whole, the group plans to develop 133 new housing unit programs for a total of 11,872 lots, including 40 programs in Île-de-France with 4,133 lots, and 90 programs in the Regions with 7,739 lots.

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 fiscal years.

Fiscal year ended November 30 (in € thousands)		2017	2016
Revenues		1,390,798	1,238,002
Gross margin		269,132	235,605
Gross margin rate (%)		19.4%	19.0%
Current operating income		117,956	101,258
Operating income		117,956	101,258
Income (loss) of the consolidated group		84,867	67,479
Attributable net income		59,118	46,034
Net earnings per share ^(a)		€2.81	€2.21

(a) Based on the number of shares comprising the share capital at the end of the period considered, 20,837,039 shares at November 30, 2016 and 21,073,535 at November 30, 2017, after the issue of 236,496 new shares as part of the capital increase reserved for employees.

2.2.2. Sources of net income

The accounting principles, estimates and assumptions used to prepare the consolidated financial statements at November 30, 2017 are described in Section 4.1.5 "Notes to the Financial Results".

The group's revenues and margin are recognized based on the percentage completion of programs, 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.

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

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

- selling expenses include the fixed portion of the salaries of salespeople, sales managers and showroom personnel, as well as the related payroll taxes, the 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 and supplies;
- 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 non-recurring income and expenses" item to state separately any unusual, infrequent and material items to make it easier to understand operating performance.

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

Net income from consolidated companies corresponds to operating income, adjusted for:

- the cost of net financial debt (financial income and expenses) corresponding to interest expense on the syndicated credit lines, interest expenses on swaps, fees paid on overdrafts, commitment fees and the prorated amortization expenses relating to the 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 financial income and expenses; and
- income tax.

The consolidated net income corresponds to net income from consolidated companies, adjusted for:

- the share in the income of affiliates and joint ventures (equity accounting).

Attributable net income corresponds to consolidated net income, 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.

2.3. Management Discussion and Analysis

Statement of consolidated comprehensive income

Consolidated income statement

<i>(in € thousands)</i>	November 30, 2017	November 30, 2016
Revenues	1,390,798	1,238,002
Cost of sales	(1,121,666)	(1,002,397)
GROSS MARGIN	269,132	235,605
Selling expenses	(37,655)	(34,891)
Administrative expenses	(64,340)	(58,214)
Technical and customer service expenses	(20,582)	(19,477)
Development and program expenses	(28,599)	(21,765)
CURRENT OPERATING INCOME	117,956	101,258
Other non-recurring income	–	–
Other non-recurring expenses	–	–
OPERATING INCOME	117,956	101,258
Financial expenses	6,287	(3,506)
Financial income	508	303
COST OF NET FINANCIAL DEBT	(5,779)	(3,203)
PRE-TAX PROFIT (LOSS) OF CONSOLIDATED COMPANIES	112,177	98,055
Income tax	(28,430)	(30,365)
NET INCOME OF CONSOLIDATED COMPANIES	83,747	67,690
Share of income (loss) of equity affiliates and joint ventures	1,120	(211)
INCOME (LOSS) OF THE CONSOLIDATED GROUP	84,867	67,479
Minority interest income (loss)	25,749	21,445
Attributable net income	59,118	46,034
Average number of shares	19,938,096	19,621,425
BASIC EARNINGS PER SHARE ^(a)	€2.97	€2.35
DILUTED EARNINGS PER SHARE ^(a)	€2.97	€2.35

(a) Earnings per share calculated based on average number of shares.

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 for fiscal years 2017 and 2016:

Fiscal year ended November 30 (in € thousands)	2017			2016		
	Deliveries (EHUs) (in units)	Revenues	Gross margin ^(b)	Deliveries (EHUs) (in units)	Revenues	Gross margin ^(c)
Multi-occupancy housing	7,619	1,169,114	218,648	6,360	1,017,673	190,229
Single-family homes	224	44,605	9,156	185	42,334	8,954
TOTAL HOUSING	7,843	1,213,719	227,804	6,545	1,060,008	199,183
Business property	–	165,263	39,729	–	171,098	35,040
Other ^(a)	52	6,507	430	5	376	(53)
Showroom	–	5,309	1,168	–	6,521	1,435
GRAND TOTAL	7,895	1,390,798	269,132	6,550	1,238,002	235,605

(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 has prospectively applied 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, 2017, amounted to €8.2 million, or 3% of gross margin, compared to €7.4 million at November 30, 2016.

Deliveries (EHUs)

The number of Equivalent Housing Units (EHUs) delivered increased 20.5% between 2016 and 2017, from 6,550 units delivered in 2016 to 7,895 units delivered in 2017. Multi-occupancy housing deliveries rose 19.8% to 7,619 units in 2017, while deliveries of Single-family homes in communities increased 21.1% to 224 units delivered. Multi-occupancy housing accounted for 97.1% of delivered housing units, versus 97.2% in 2016.

Revenues

Compared to 2016, total group revenues (excluding VAT) were up 12.3% to €1,390.8 million, versus €1,238.0 million in 2016. This increase is primarily due to an increase in Multi-occupancy housing revenue (€151.4 million).

Multi-occupancy housing segment

The Multi-occupancy housing segment's revenues increased 14.9%, from €1,017.7 million to €1,169.1 million in 2017. 35.2% of revenues were generated in Île-de-France versus 41.0% in 2016. Multi-occupancy housing accounted for 84.1% of total revenues, versus 82.2% in 2016. The €151.4 million jump in Multi-occupancy housing revenues came from the €156.8 million increase registered in other regions.

Single-family homes in communities

Revenues from Single-family homes rose 5.4% compared to 2016, from €42.3 million to €44.6 million in 2017. They accounted for 3.2% of total revenues, compared to 3.4% in 2016. The €2.3 million increase

breaks down as follows: down -€5.1 million for Île-de-France versus +€7.3 million increase in other regions. Île-de-France accounted for 33.8% of Single-family home revenues, while other regions accounted for 66.2%.

Other business activities

Revenues for the Business property segment fell -€5.8 million. It amounted to €165.3 million in 2017, versus €171.1 million in 2016. This is due mainly to the completion of the Pouchet project (17th district of Paris), which generated €58.3 million in revenue, and of the Paris 13 TGB (€47.7 million), Montbartier (€15 million), Châtres (€9.2 million) then Bordeaux BAF projects (€8.5 million).

Showroom revenues totaled €5.3 million, compared to €6.5 million in 2016.

Gross margin

The group's gross margin totaled €269.1 million compared to €235.6 million in 2016, a 14.2% increase (+€33.5 million). The gross margin rate was up at 19.4% in 2017, compared to 19.0% in 2016.

Multi-occupancy housing segment

The Multi-occupancy housing segment's gross margin totaled €218.6 million, compared to €190.2 million in 2016 (an increase of +14.9%). Its gross margin rate remained stable at 18.7% in 2016 and 2017. The €28.4 million increase in gross margin stemmed from a rise of €1.2 million in Île-de-France and €27.2 million in other regions. In Île-de-France, the gross margin rate was 19.3%, versus 18.8% in 2016. In the Regions, it stood at 18.4%, compared to 18.6% in 2016.

Single-family homes in communities

Following the same trend as revenues, the gross margin for Single-family homes posted an increase compared to 2016 (2.4%). It amounted to €9.2 million for fiscal year 2017, versus €9.0 million for fiscal year 2016. The €0.2 million increase mainly stemmed from other regions, which contributed €1.6 million. The gross margin rate for the single-family homes segment was 20.6% versus 21.1% last year.

Other business activities

The gross margin from other businesses was €41.3 million, versus €36.4 million in 2016. The Commercial property segment accounted for €39.7 million of this amount, up €4.9 million compared to 2016.

2.3.1.2. Breakdown by operating segment

The following table shows a breakdown of the number of housing units (EHUs) delivered, revenues and gross margin by geographic area for fiscal years 2016 and 2017:

		2017			2016		
Fiscal year ended November 30 (in € thousands)		Deliveries (EHUs) (in units)	Revenues	Gross margin	Deliveries (EHUs) (in units)	Revenues	Gross margin
Île-de-France		2,406	430,062	84,155	2,458	441,476	84,515
	Housing	2,406	426,661	83,408	2,458	437,100	83,558
	Business property	–	–	–	–	–	–
	Other ^(a)	–	3,400	746	–	4,376	958
West		1,273	165,516	30,748	685	108,800	19,904
	Housing	1,221	153,094	27,429	681	93,493	16,791
	Business property	–	9,962	2,905	–	15,018	3,145
	Other ^(a)	52	2,460	415	4	289	(33)
Southwest		2,281	342,888	60,038	1,856	277,305	52,267
	Housing	2,281	325,835	57,804	1,855	259,158	49,270
	Business property	–	13,006	2,210	–	18,061	3,005
	Other ^(a)	–	4,047	23	1	86	(7)
Southeast		1,008	174,747	30,779	947	185,286	30,614
	Housing	1,008	172,783	30,051	947	177,648	29,858
	Business property	–	226	352	–	5,692	336
	Other ^(a)	–	1,738	376	–	1,946	420
Rhône-Alpes		588	95,022	18,678	415	72,812	14,519
	Housing	588	95,851	18,641	415	72,613	14,476
	Business property	–	–	–	–	–	–
	Other ^(a)	–	171	38	–	199	44
Other Regions		339	40,495	10,472	189	19,996	5,231
	Housing	339	40,495	10,472	189	19,996	5,231
	Business property	–	–	–	–	–	–
	Other	–	–	–	–	–	–
Commercial property and logistics ^(b)			142,069	34,262		132,327	28,554
	Housing	–	–	–	–	–	–
	Business property	–	142,069	34,262	–	132,327	28,554
	Other ^(a)	–	–	–	–	–	–
TOTAL GROUP		7,895	1,390,798	269,132	6,550	1,238,002	235,605
	Housing	7,843	1,213,719	227,804	6,545	1,060,008	199,183
	Business property	–	165,263	39,729	–	171,098	35,040
	Other ^(a)	52	11,816	1,598	5	6,896	1,382

(a) Bare lot sales, external fees and the Showroom business.

(b) Offices, shops, business premises, logistical warehouses, etc.

Deliveries (EHUs)

By geographic area, Île-de-France represented an important part in the group's Housing business with 30.7% of housing units delivered in 2017 (i.e., 30.9% for Multi-occupancy housing units and 24.6% for Single-family homes in communities) versus 37.6% in 2016. The group has also been active in the Southwest (Toulouse, Bordeaux, Bayonne, Montpellier) in the West (Nantes, Rennes) and in the Southeast (Nice, Toulon, Marseille) where 29.1%, 15.6%, and 12.9% of the housing units were delivered, respectively, compared to 28.4%, 10.4% and 14.5% in 2016.

Housing revenues

Housing revenues totaled €1,213.7 million in 2017, versus €1,060.0 million in 2016, up 14.5%. Île-de-France contributed 35.2%, versus 41.2% in 2016.

After Île-de-France, the Southeast (Nice, Toulon, Marseille) and the Southwest (Toulouse, Bordeaux, Bayonne, Montpellier, La Rochelle and Perpignan) were the two biggest contributors and accounted for 14.2% and 26.8% of Housing business revenues, respectively. The West (Nantes, Rennes) contributed 12.6% and the Rhône-Alpes region (Lyon, Grenoble, Annecy) 7.8%.

The €153.7 million increase in Housing revenues compared to 2016 can be explained by the €66.7 million increase in revenues in the Southwest, along with increases in the West (+€59.6 million) and the Rhône-Alpes region (+€22.2 million).

Housing gross margin

The Housing gross margin at November 30, 2017 was €227.8 million, versus €199.2 million in 2016, a rise of 14.4% year-on-year. The gross margin rate remained stable at 18.8% in 2016 and 2017.

Île-de-France contributed 36.6% of the Housing gross margin achieved by the group in 2017 (42.0% in 2016). The Southwest (Toulouse, Bordeaux, Bayonne, Montpellier) was the second-largest contributor with 25.4%, and the Southeast (Marseille, Toulon, Nice) accounted for 13.2%, for its part. The Rhône-Alpes region (Lyon, Grenoble, Annecy) and the West (Nantes, Rennes) respectively contributed 8.2% and 12% of the Housing segment's gross margin.

The €28.6 million increase in the Housing segment's gross margin in 2017 and 2016 mainly stemmed from the rise in gross margin in the West (+€10.6 million), in the Southwest (+€8.5 million) and commercial property (+€5.7 million).

2.3.2. Operating expenses

(in € thousands)

	November 30, 2017	November 30, 2016
Selling expenses	37,655	34,891
Administrative expenses	64,340	58,214
Technical and customer service expenses	20,582	19,477
Development and program expenses	28,599	21,765
TOTAL OPERATING EXPENSES	151,176	134,347

At November 30, 2017, operating expenses totaled €151.2 million, versus €134.3 million in 2016. Operating expenses remained stable and accounted for 10.9% of revenues in both 2017 and in 2016.

The change in operating expenses is explained primarily by the following items:

Selling expenses

Selling expenses amounted to €37.7 million versus €34.9 million in 2016, an increase of 7.9%. This increase is mostly due to a +€1.1 million increase in advertising expenses (+5.4% compared to 2016), as well as a +€1.8 million increase in salaries (+19.5%).

Compensation of marketing and sales teams

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

Fiscal year ended November 30 (in € thousands)	2017	2016
Salaries and payroll taxes	11,106	9,292
Commissions paid to the sales team	11,047	9,021
<i>As a percentage of total Group revenues</i>	<i>1.6%</i>	<i>1.5%</i>

Sales commissions (in € thousands)	2017	2016
Commissions paid to the sales team	11,047	9,021
External commissions	49,322	39,872
TOTAL COMMISSIONS ON SALES	60,369	48,893
<i>As a percentage of total Group revenues</i>	<i>4.3%</i>	<i>3.9%</i>
<i>As a percentage of Housing gross margin</i>	<i>26.5%</i>	<i>24.5%</i>

The amount of commissions on sales was €60.4 million in 2017, including €11.0 million for internal commissions (paid to the sales teams) and €49.3 million for external commissions (paid to prescribers). The €11.5 million increase in sales commissions is partly attributable to the

19.0% increase in the number of orders by prescribers and by networks between 2017 and 2016, and especially institutional block sales, which nearly tripled. It should be noted that these expenses are included in the cost of sales of property development operations.

Advertising

Kaufman & Broad's annual advertising costs theoretically represent between 2.0% and 2.5% of its revenues, and are incurred in connection with the launches of real estate programs (Single-family homes in communities and Multi-occupancy housing units) as well as national advertising campaigns to promote the group's image and products.

Depending on the portion of the business carried out by prescribers, as well as the weight of Business property in total revenues, the recorded percentage may be less. For the 2017 fiscal year, expenses for advertising and model homes totaled €21.4 million and accounted for 1.54% of total revenue, down 0.1 percentage point compared to 2016.

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)	2017	2016
Advertising expenses	21,381	20,290
<i>As a percentage of revenues</i>	<i>1.54%</i>	<i>1.64%</i>

Advertising expenses in 2017 rose 5.4% compared to 2016, with revenues growing 12.3% compared to the previous fiscal year.

Administrative expenses

General administrative expenses came to €64.3 million in 2017, versus €58.2 million in 2016, a 10.5% increase, including a +€2.2 million increase in salaries (+9.0%) as well as a €1.1 million increase in taxes (+17.6%)

Development and program expenses

Development and program expenses came to €28.6 million, up 31.4% compared to 2016, when they amounted to €21.8 million, €2.7 million of which were charged to project abandonment costs as well as €2.1 million in the "Total estimated expenses" item, which includes the net change in provisions for new-project expenses.

Technical and customer service expenses

Technical and customer service expenses were €20.6 million, versus €19.5 million in 2016, up 5.7%, of which €1.2 million on salaries.

2.3.3. Current operating profit – Operating margin

The group's current operating profit was up 16.5%, from €101.3 million in 2016 to €118.0 million in 2017. The current operating margin was 8.5% versus 8.2% in 2016. The €16.7 million increase in current operating profit reflects first and foremost the €33.5 million jump in gross margin.

2.3.3.1. Adjusted EBIT

Adjusted EBIT is equal to current operating income (€118.0 million) adjusted for borrowing costs ("Revised IAS 23") which are capitalized and recognized in the gross margin for €8.2 million, representing €126.1 million at November 30, 2017.

Adjusted EBIT was up 16.1% compared to November 30, 2016, when it stood at €108.7 million, with current operating income of €118.0 million and borrowing costs in the amount of €7.4 million.

The adjusted EBIT margin was 9.1%, compared to 8.8% at November 30, 2016.

2.3.4. Other non-recurring income and expenses

At November 30, 2017, the amount of non-recurring income was zero. Accordingly, operating income was €118.0 million, versus €101.3 million in 2016.

2.3.5. Cost of net financial debt

The cost of the net financial debt was up €2.6 million from €3.2 million in 2016 to €5.8 million in 2017. This increase is mainly related to paying for the remaining set up fees for the period related to the 2016 syndicated loans for €3.2 million. However, the amount of capitalized finance

fees ("Revised IAS 23") for 2017 was up €3.2 million, increasing from €7.8 million in 2016 to €11.0 million at November 30, 2017. (see Note 6.3 to the Consolidated Financial Statements, "Cost of net financial debt").

2.3.6. Net income

Tax liability

Income tax amounted to €28.4 million, based on the group's net profit at November 30, 2017, compared to €30.4 million for fiscal year 2016 (see Note 12.2, "Tax Reconciliation" to the Consolidated Financial Statements).

Minority interests

The amount of minority interests was up by €4.3 million, from €21.4 million in 2016 to €25.7 million in 2017. This increase reflects the impact of a larger number of joint development programs started by Kaufman & Broad in the last two years and the recognition of their full-year income-generation under the percentage-of-completion method.

Net income

Attributable net income for fiscal year 2017 rose 13.1% compared to 2016. It amounted to €59.1 million, versus €46.0 million in 2016.

The net margin (net income as a percentage of revenues) rose to 4.7% in 2017 versus 3.7% in 2016.

2.3.7. Income by operating segment

Pursuant to IFRS 8, the presented segment information reflects the organization of the internal reporting intended for the group's management. Details of this segment analysis are provided in Note 3.1 "Income by operating segment" to the Consolidated Financial Statements at November 30, 2017.

Fiscal year ended November 30, 2017 (in € thousands)	Île-de-France	West	Southwest	Southeast
Revenues	430,062	165,516	342,888	174,747
GROSS MARGIN	84,155	30,748	60,038	30,779
Selling expenses	(13,191)	(4,213)	(5,938)	(4,623)
Administrative expenses	(8,094)	(6,333)	(8,127)	(4,809)
Technical and customer service expenses	(9,283)	(1,695)	(3,772)	(3,175)
Development and program expenses	(7,577)	(2,287)	(5,947)	(3,552)
Reallocation of portion of corporate re invoicing	(11,798)	(4,981)	(9,579)	(5,296)
CURRENT OPERATING INCOME	34,212	11,239	26,675	9,324
Other non-recurring income and expenses				
OPERATING INCOME	34,212	11,239	26,675	9,324
Cost of net financial debt and other financial income/expenses	3,158	419	1,384	(507)
Reallocation of cost of net financial debt	(2,251)	(951)	(1,828)	(1,011)
PRE-TAX INCOME OF CONSOLIDATED COMPANIES	35,119	10,707	26,231	7,806
Income tax	(9,340)	(3,370)	(5,274)	(1,864)
Share of income (loss) of equity affiliates and joint ventures	630	(17)	31	0
INCOME (LOSS) OF THE CONSOLIDATED GROUP	26,409	7,320	20,988	5,942
<i>Attributable net income</i>	<i>19,336</i>	<i>7,070</i>	<i>11,298</i>	<i>4,243</i>
<i>Minority interests</i>	<i>7,073</i>	<i>250</i>	<i>9,690</i>	<i>1,699</i>

Fiscal year ended November 30, 2017 (in € thousands)	Rhône-Alpes	Commercial property and Logistics	Other Regions	Head Office	Grand total
Revenues	95,022	142,069	40,495	–	1,390,798
GROSS MARGIN	18,678	34,262	10,472	–	269,132
Selling expenses	(2,383)	(736)	(224)	(6,348)	(37,655)
Administrative expenses	(3,286)	(3,825)	(54)	(29,813)	(64,340)
Technical and customer service expenses	(1,704)	(400)		(554)	(20,582)
Development and program expenses	(1,747)	(6,192)	(77)	(1,220)	(28,599)
Reallocation of portion of corporate re invoicing	(3,152)	(2,568)	(561)	37,935	
CURRENT OPERATING INCOME	6,406	20,541	9,556	0	117,956
Other non-recurring income and expenses					–
OPERATING INCOME	6,406	20,541	9,556	0	117,956
Cost of net financial debt and other financial income/expenses	715	(3,738)	28	(7,240)	(5,779)
Reallocation of cost of net financial debt	(602)	(490)	(107)	7,240	–
PRE-TAX INCOME OF CONSOLIDATED COMPANIES	6,519	16,313	9,477	0	112,177
Income tax	(2,264)	(5,459)	(859)	0	(28,430)
Share of income (loss) of equity affiliates and joint ventures	556	(79)	(1)		1,120
INCOME (LOSS) OF THE CONSOLIDATED GROUP	4,811	10,775	8,617	0	84,867
<i>Attributable net income</i>	<i>4,726</i>	<i>10,733</i>	<i>1,708</i>	<i>0</i>	<i>59,118</i>
<i>Minority interests</i>	<i>85</i>	<i>42</i>	<i>6,909</i>		<i>25,749</i>

Fiscal year ended November 30, 2016 (in € thousands)	Île-de-France	West ^(a)	Southwest	Southeast
Revenues	441,476	108,800	277,305	185,286
GROSS MARGIN	84,515	19,904	52,267	30,614
Selling expenses	(12,162)	(2,632)	(5,214)	(4,977)
Administrative expenses	(8,012)	(4,931)	(8,543)	(5,314)
Technical and customer service expenses	(8,533)	(1,188)	(4,072)	(2,814)
Development and program expenses	(6,917)	(2,015)	(5,075)	(1,478)
Reallocation of portion of corporate re invoicing	(12,432)	(2,990)	(9,732)	(5,439)
CURRENT OPERATING INCOME	36,459	6,148	19,632	10,592
Other non-recurring income and expenses	–	–	–	–
OPERATING INCOME	36,459	6,148	19,632	10,592
Cost of net financial debt and other financial income/expenses	3,419	314	(134)	(847)
Reallocation of cost of net financial debt	(1,284)	(309)	(1,005)	(562)
PRE-TAX INCOME OF CONSOLIDATED COMPANIES	38,594	6,153	18,493	9,183
Income tax	(12,845)	(2,224)	(4,184)	(3,570)
Share of income (loss) of equity affiliates and joint ventures	186	(116)	(2)	–
INCOME (LOSS) OF THE CONSOLIDATED GROUP	25,935	3,813	14,307	5,613
Attributable net income	20,427	3,260	4,806	5,033
Minority interests	5,508	553	9,501	580

(a) Financial statements adjusted following a new geographical split between the West segment and Other Regions segment.

Fiscal year ended November 30, 2016 (in € thousands)	Rhône-Alpes	Commercial property and Logistics	Other Regions ^(a)	Head Office	Grand total
Revenues	72,812	132,327	19,996	–	1,238,002
GROSS MARGIN	14,519	28,554	5,231	–	235,605
Selling expenses	(2,388)	(322)	(196)	(6,999)	(34,891)
Administrative expenses	(3,280)	(2,096)	351	(26,387)	(58,214)
Technical and customer service expenses	(1,511)	(350)	(16)	(995)	(19,477)
Development and program expenses	(1,433)	(2,864)	(69)	(1,916)	(21,765)
Reallocation of portion of corporate re invoicing	(2,718)	(2,556)	(430)	36,297	
CURRENT OPERATING INCOME	3,189	20,366	4,871	–	101,258
Other non-recurring income and expenses	–	–	–	–	–
OPERATING INCOME	3,189	20,366	4,871	–	101,258
Cost of net financial debt and other financial income/expenses	286	(2,474)	(18)	(3,751)	(3,203)
Reallocation of cost of net financial debt	(281)	(264)	(44)	3,751	–
PRE-TAX INCOME OF CONSOLIDATED COMPANIES	3,194	17,628	4,809	–	98,054
Income tax	(1,325)	(5,760)	(456)	–	(30,365)
Share of income (loss) of equity affiliates and joint ventures	(28)	(250)	–	–	(211)
INCOME (LOSS) OF THE CONSOLIDATED GROUP	1,841	11,618	4,353	–	67,479
Attributable net income	1,639	10,140	730	–	46,034
Minority interests	202	1,478	3,623	–	21,445

(a) Financial statements adjusted following a new geographical split between the West segment and Other Regions segment.

2.4. Liquidity and capital resources

2.4.1. Cash flow

The group's net cash flow totaled €221.1 million at November 30, 2017, up €103 million from November 30, 2016, when it totaled €118.1 million. The change is analyzed below:

(in € thousands)	November 30, 2017	November 30, 2016
Cash flow from operating activities	106,863	78,590
Cash flow provided by (used in) investing activities	(13,759)	(25,524)
Free cash flow	93,104	53,066
Cash flow provided by (used in) financing activities	9,852	(104,319)
Increase (decrease) in cash	102,956	(51,253)
CASH AT BEGINNING OF THE PERIOD	118,108	169,361
CASH AT END OF THE PERIOD	221,065	118,108

Cash flow from operating activities

Cash flows generated by operating activities totaled €106.9 million versus €78.6 million at November 30, 2016, an increase of €28.3 million. The change in cash flow generated from operating activities was primarily due to:

- a cash flow increase of €16.8 million to €138.0 million;
- a €10.1 million decrease in the change in operating Working Capital Requirement (excluding current taxes), from -€15.5 million at November 30, 2016, to -€5.3 million at November 30, 2017;
- a €1.3 million decrease in taxes paid to €25.8 million, versus €27.1 million at the end of November 2016.

The change in Operating Working Capital Requirement for fiscal year 2017 corresponds to a -€5.3 million reduction, compared to a negative change of -€15.5 million at November 30, 2016.

Operating Working Capital Requirement (WCR) (excluding current taxes) totaled €147.6 million at the end of November 2017, versus €129.2 million at the end of November 2016, an increase of €18.4 million. The change in operating WCR items can be attributed to a €13.5 million increase in inventories, a €35.5 million decrease in accounts receivable, a €23.1 million reduction in trade payables and a €17.3 million change in other assets and liabilities including current taxes. WCR amounted to 8.7% of revenues at November 30, 2017, compared to 10.4% for the same period in 2016.

Cash flow provided by (used in) investing activities

Cash flows from investing activities amounted to -€13.8 million, versus -€25.5 million in fiscal year 2016. They primarily consist of the following:

- -€5.8 million in disbursements for acquisitions of property, plant and equipment and intangible assets;
- €0.2 million related to the acquisition of financial assets (loans) granted as part of real estate projects;
- -€8.1 million in investments in equity-accounted companies.

Cash flow provided by (used in) financing activities

Cash flows from financing activities amounted to €9.8 million versus -€104.3 million in 2016. They primarily consist of the following:

- -€7.5 million in dividends paid to shareholders;
- -€23.4 million in distributions to minority interests and -€2.3 million in acquisitions of stakes in minority interests;
- €1.0 million in purchases of treasury shares;
- €48.1 million mainly corresponding to the repayment of the 2016 senior syndicated loan – Tranche A (€50 million balance) and B (€50 million partial repayment) as well as the arrangement of a €150 million bond;
- €7.4 million corresponding to the issue of 236,496 new shares as part of a capital increase reserved for employees completed in late November 2017;
- -€13.4 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:

<i>(in € thousands)</i>	November 30, 2017	November 30, 2016
Syndicated lines Tranches A and B – Senior Facilities	100,000	200,000
Bonds	150,000	
Other borrowings	2,785	1,404
Credit facilities utilized	1,757	3,195
Loan arrangement costs	(510)	(3,123)
Fair value of derivatives	124	1,726
GROSS FINANCIAL DEBT	254,156	203,202
• of which non-current	249,615	191,362
• of which current	4,541	11,840

At November 30, 2017, the group's gross financial debt totaled €254.2 million, including €249.6 million in non-current debt (comprising primarily the bonds and Tranche B of the Syndicated lines of credit – Senior Facilities), and €4.5 million in current debt. It totaled €203.2 million at November 30, 2016.

At November 30, 2017, the group received €150 million in bonds, €100 million in syndicated credit lines (Senior Facilities) comprising a Tranche B for €100 million (in full) and €100 million in revolving credit (undrawn at November 30, 2017).

Adjustment of financial ratios

For each half-year, since November 2016, in connection with the Senior Facilities agreement, the group is required to comply with two financial ratios, the levels of which are defined below:

Ratios at each six-month period-end (Senior Credit Facilities Agreement 2016)	Threshold
Financial leverage ratio (February 2016 loan) ^(a)	≤ 3.0
Debt/equity ratio ^(b)	≤ 2.5 at November 30, 2016
	≤ 2.5 at May 31, 2017
	≤ 2.5 at November 30, 2017
	≤ 2.0 at May 31, 2018
	≤ 1.75 at May 31, 2019
	and at May 31, 2020

(a) Net Financial Debt (1) divided by EBITDA (2) where:

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

(2) 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.

(b) Net Financial Debt (1) divided by adjusted shareholders' equity (3):

(3) adjusted shareholders' equity = consolidated shareholders' equity at November 30, 2015 + cumulative income from December 1, 2015 to the end of the relevant quarter – dividends paid for the relevant period + cumulative impairment charge for the period from December 1, 2015 to the end of the relevant quarter.

The agreement provides for a "cash sweep" clause in certain conditions. Since the conditions were not met, no payment will be made in respect of the fiscal year ended November 30, 2017.

In the accounting half-year periods from November 2017 until the bond is repaid, the group is required to observe two ratios, calculated on a consolidated basis, with levels defined as follows:

This transaction also enables the group to diversify its sources of financing to receive more favorable market conditions and substantially extend its average debt maturity.

Ratio at each six-month period end (Bond Issue)	Threshold at date
Financial leverage ratio ^(a)	≤ 3.0
Debt/equity ratio ^(b)	≤ 2.5

(a) Namely, Net Financial Debt (1), divided by EBITDA (2), where:

(1) Financial debt means gross financial debt, less cash and cash equivalents and excluding certain subordinated debts and certain off-balance sheet items; Threshold to comply with in connection with the Senior Facilities agreement and the bond issue.

(2) EBITDA means the pre-tax net earnings of the consolidated group before, in particular: income tax and interest income (including net financial expenses, foreign exchange gains and losses Senior Facilities agreement and 2017 bond issue); 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 relating to the non-financial compensation of employees); gains or losses from the sale of assets; and then reduced by the revenue from minority interests.

(b) Net financial Debt (1), divided by adjusted shareholders' equity (3):

(3) Adjusted shareholders' equity = consolidated shareholders' equity at November 30, 2016; plus aggregated income from December 1, 2016 to the end of the relevant quarter; less dividends paid for the relevant period; plus the aggregated impairment charge for the period from December 1, 2016 to the end of the relevant quarter.

Ratio at November 30, 2017	Threshold at date ⁽¹⁾	Ratio at date
Financial leverage ratio (a)	≤3.0	0.28
Debt/equity ratio (b)	≤2.5	0.13

(1) Threshold to comply with under the Senior Facilities Agreement and the Bond Issue.

The group's main debt facilities

(in € thousands)	Debt capacity	Utilization at November 30, 2017	Repayment	Type	Rate ^(a)
Senior Facilities Agreement April 4, 2016					
Facility B	100,000	100,000	Bullet repayment in April 2021	Floating	E ^(c) + 275 to 300 BPS
RCF ^(b)	100,000	-	Bullet repayment in April 2021	Floating	E ^(c) + 250 to 275 BPS
Bond May 18, 2017					
7-year bond	50,000	50,000	May 2024	Fixed	2.88%
8-year bond	100,000	100,000	May 2025	Fixed	3.20%
TOTAL	350,000	250,000	-	-	-

(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.

(b) Revolving Credit Facility.

(c) The applicable margin depends on the financial leverage ratio level.

The total effective rate of the debt, taking into account the total amortization of the arrangement costs incurred (€3.2 million in 2017) and hedging was 5.43% versus 4.13% in 2016 (with €0.4 million to

deferred arrangement costs in 2016); the difference is primarily due to the recognition of the balance of the 2016 Senior Facilities Agreement arrangement costs at the end of fiscal 2017.

2.4.2.2. Main changes in gross financial debt

<i>(in € thousands)</i>	November 30, 2017
Gross financial debt at November 30, 2016	203,202
Repayment of 2016 Senior Facilities line – Tranche A and Tranche B	(100,000)
New bonds	150,000
Issuance expenses	2,613
Change in other borrowings and finance leases	1,381
Change in the fair value of derivative instruments	(1,602)
Change in credit facilities	(1,439)
Gross financial debt at November 30, 2017	254,156
Change in gross financial debt in 2017	50,954

Group gross financial debt fluctuated €51 million between November 30, 2017 and November 30, 2016 mainly due to the €150 million bond being set up and the early repayment of the €100 million syndicated line of credit from the Senior Facilities Agreement

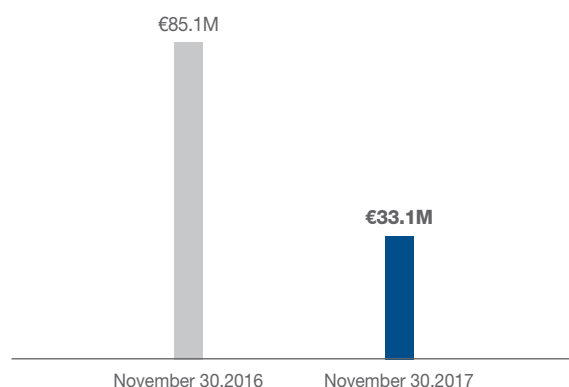
dated April 4, 2016. Tranche A (the repayable section) was repaid in full before the first due date, i.e. €50 million, and a partial repayment of tranche B for €50 million, reducing its amount from €150 million to €100 million.

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

<i>(in € thousands)</i>	November 30, 2017	November 30, 2016
Shareholders' equity	215.4	145.8
Financial debt*	254.2	203.2
Financial debt maturing within 1 year	4.5	11.8
Financial debt maturing between 1 and 5 years	249.6	191.4
Maturity	5.6 years	4.3 years
* of which:		
Loan arrangement costs	(0.5)	(3.1)
Fair value of derivatives	0.1	1.7
Credit facilities utilized	1.8	3.2
Senior facilities	100.0	200.0
Bonds	150.0	
Other borrowings	2.8	1.4

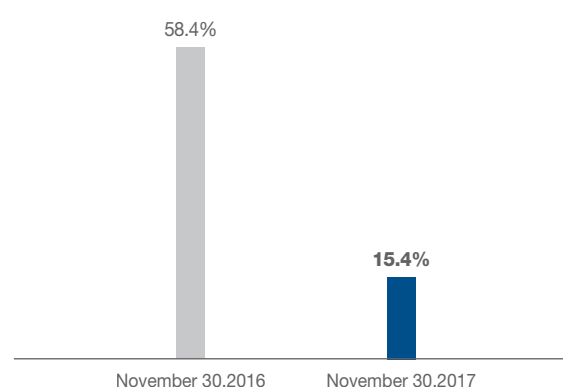
2.4.2.3. Change in net financial debt

NET FINANCIAL DEBT



Net financial debt means gross financial debt less cash and cash equivalents. At November 30, 2017, net financial debt was down €52 million compared to November 30, 2016, and, accordingly, totaled €33.1 million.

GEARING



The gearing ratio (the net financial debt to consolidated shareholders' equity ratio) was 15.4% at November 30, 2017, versus 58.4% at November 30, 2016, reflecting both a €52 million decline in net debt and a €69.6 million rise in shareholders' equity between the two fiscal years.

2.4.2.4. Swap agreements – Interest rate risk hedging

The policy for managing interest rate risk is intended to limit and control fluctuations in interest rates and their impact on net earnings and cash flow, so that the total cost of the debt remains acceptable. To achieve this objective, the group hedges its floating-rate loan interest flows with interest-rate swaps. The latter are derivatives hedging the cash flows. They are marked to market on the balance sheet. Kaufman & Broad

applies cash flow hedge accounting. Under the new syndicated line of credit agreement, the group also undertook to keep 50% of its borrowings hedged.

Interest-rate hedges are made using instruments traded on organized markets or over-the-counter, with high-quality counterparties.

The following table sets forth the details of the portfolio of one-month swaps paying Euribor against fixed-rate receiving swaps at November 30, 2017.

Type of Value	Notional amount (in € millions)	Fixed rate	Repayment		Type	Book value at November 30, 2017	Book value at November 30, 2016
			Start date	End date		(in % of nominal)	(in % of nominal)
EUR 1M fixed rate swap	10	0.5000%	Nov. 28, 2014	Nov. 30, 2017	Hedge	–	(0.89)%
EUR 1M fixed rate swap	20	0.5000%	Nov. 30, 2014	Nov. 30, 2017	Hedge	–	(0.89)%
EUR 1M fixed rate swap	20	0.2975%	May 31, 2017	Apr. 1, 2021	Hedge	(0.62)%	–

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, 2017 was -€82 thousand.

Following the swap effectiveness tests, conducted on November 30, 2016, the old swaps were disqualified, resulting in the hedging reserve being spread over the remaining term. The new swap arranged during the period is considered effective.

2.5. Events after the balance-sheet date

No material events were recorded after the fiscal year-end.



CORPORATE GOVERNANCE 3

3.1. Members of the Company's Administrative and Management Bodies 122

3.1.1.	Board of Directors	122
3.1.2.	Special committees of the Board of Directors	132
3.1.3.	Senior Executives	137

3.2. Management's interests 140

3.2.1.	Compensation and benefits in-kind received for any reason by members of the Company's administrative and management bodies for the latest fiscal year ended	140
3.2.2.	Total number of stock options awarded by the group	145
3.2.3.	Information on the exercise of stock options during the fiscal year	145
3.2.4.	Information on transactions concluded with members of the Company's administrative and management bodies	145
3.2.5.	Loans and guarantees to members of the Company's administrative and management bodies	145
3.2.6.	Transactions with companies that have directors in common with the Company or other group companies	145
3.2.7.	Components of the compensation due or awarded for the fiscal year ended November 30, 2017 to executive corporate officers, subject to the vote of the shareholders	146

3.3. Incentive programs 146

3.3.1.	Incentive and profit-sharing agreements	146
3.3.2.	Plan d'Épargne Groupe, Group Employee Savings Plan	147
3.3.3.	Stock option or stock warrant plans – Awards of bonus shares – Awards of stock warrants	147
3.3.4.	Stock subscription warrants	152

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 eight members who provide it with a broad range of complementary skills and experience:

Name	Age ⁽¹⁾	Compensation and Nominating Committee	Audit Committee	Investments Committee	Board of Directors	Years of service on the Board	Date of first appointment	Term of office expires in ⁽²⁾	Number of Company shares held	Percentage of direct or indirect holding in the company
Chairman and Chief Executive Officer										
Nordine Hachemi	56				✓	4	6/25/2013	2017	22,806 ⁽³⁾	2.7%
Independent Directors										
Sylvie Charles	58		✓	✓	✓	5	2/16/2012	2017	250	-
Jean-Louis Chaussade	66				✓	1	1/21/2017 ⁽⁴⁾	2018	250	-
Yves Gabriel	67	✓	✓	✓	✓	2	3/8/2016	2018	250	-
Sophie Lombard	48	✓	✓	✓	✓	10	7/10/2007 ⁽⁵⁾	2017	250	-
Caroline Puechoultres	48	✓			✓	3	9/30/2014	2017	250	-
Other directors										
Michel Paris	60				✓	2	7/7/2015	2018	250	-
Frédéric Stévenin	51				✓	10	7/10/2007	2017	250	-

(1) At March 7, 2018.

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

(3) Moreover, Nordine Hachemi holds through the company RKQ, of which he is the sole shareholder, 25% of the share capital of Artimus Participations, which itself held 10.43% of the company's share capital at February 28, 2018.

(4) The co-option of Jean-Louis Chaussade to replace Alexandre Dejoie, who resigned, was approved by the Shareholders' Meeting of May 11, 2017.

(5) Note that Sophie Lombard was no longer a Director of the company from January 20, 2010 to September 29, 2010.

At the date of this Registration Document, with the exception of Nordine Hachemi, no member of the Board of Directors has any other directorships in the Kaufman & Broad group.

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 RKCI, Manager of SCI MD Raphael, Chairman of Artimus Participations.

Other information

Nordine Hachemi has an MBA from INSEAD and a graduate degree in Engineering from ENSPM.

After an international career with Bouygues Construction, he joined the Saur group in 2001 and became its Chairman.

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

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

He has been the Chairman and Chief Executive Officer of Kaufman & Broad SA since January 24, 2014.

Independent Directors



Sylvie Charles

SNCF Logistics

24, rue Villeneuve, 92583 Clichy Cedex

Principal position held outside the Company

SNCF Logistics Chief Executive Officer of Rail Freight and Multimodal Transport.

Other directorships and positions held

Chairman of Transport Ferroviaire Holding, Chairman of VFLI, Chairman of Europe Intermodal Holding (EIH), Chairman of Transport Ferroviaire Services, member of the Supervisory Board of Geodis SA, Independent Director at the SANEF group. Chairman of the Board of Directors of Lorry Rail (Luxembourg) and Deputy Chairman of BLS Cargo (Switzerland).

Other information

Sylvie Charles is a graduate of Institut d'études politiques de Paris and a former student of ENA.

In 1993, she was appointed CEO 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 CEO 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; her responsibilities were extended in October 2013 to cover the multi-modal entities.



Jean-Louis Chaussade

SUEZ

Tour CB21 – 16, Place de l'Iris, 92040 Paris La Défense – France

Principal position held outside the Company

Chief Executive Officer of SUEZ Group.

Other directorships and positions held

Director of Criteria CaixaHolding SAU (Spain).

Chairman of the Board of Directors of Université de Technologie de Compiègne.

Other information

Jean-Louis Chaussade began his career at Degrémont in 1978 and was then appointed *Chief Operating Officer of Degrémont Spain* in Bilbao in 1989. During that period, he was appointed director of Aguas de Barcelona. Jean-Louis Chaussade was subsequently appointed Chief Executive Officer of Dumez Copisa Spain in 1992.

In 1997 he was appointed *Chief Operating Officer of Lyonnaise des Eaux* in South America, and Executive Vice-President of Engie for South America.

He became Chairman and CEO of Degrémont in 2000 and in 2004, Senior Vice-President of Engie and Chief Executive Officer of Suez Environnement.

Since July 23, 2008, Jean-Louis Chaussade has been Chief Executive Officer of SUEZ (formerly Suez Environnement), a group listed on the Euronext in Paris and Brussels (€15.3 billion in revenues and 82,000 employees in 2016).

Jean-Louis Chaussade was a member of the Engie Executive Committee from May 1, 2011 to July 22, 2013. He was also Chairman of the Supervisory Board of Institut de Prospective Économique du Monde Méditerranéen (IPEMED) from December 2011 to December 2013.

Jean-Louis Chaussade is Co-Chairman of the France-China Committee and Chairman of the Board of French and Algerian Business Leaders of Medef International. He also chairs the “circular economy” group within the AFEP.

Jean-Louis Chaussade has a graduate degree in Engineering from ESTP and a Master's in Economics. He is also a graduate of Institut d'Études Politiques de Paris and of Harvard Business School's Advanced Management Program.



Yves Gabriel

Yves Gabriel Consulting

21b, Route de Choisel, 78460 Chevreuse

Principal position held outside the Company

Chairman of Yves Gabriel Consulting.

Other directorships and positions held

Chairman of Yves Gabriel Consulting, Oliver Wyman Senior Advisor, *Impulse Partners* Strategic Advisor, director of SMABTP insurance company.

Other information

Graduate of École Nationale des Ponts et Chaussées.

From 2002 to 2015, Yves Gabriel was Chairman and CEO of Bouygues Construction and a director of the Bouygues Group.

From 1996 to 2002, he was Chief Executive Officer of SAUR Group and, from 1992 to 1996, he was Chief Executive Officer of SCREG Group.

Before that, he held senior management positions in various subsidiaries of the Bouygues and SCREG Groups.



Sophie Lombard

Parvilla

38, rue Mermoz, 75008 Paris

Principal position held outside the Company

Deputy CEO, Parvilla

Other directorships and positions held

Member of the Supervisory Board of Banque Postale; Member of the Investment Committee of Citizen Capital; Director of Financière Gaillon 8 until March 20, 2017.

Other information

Sophie Lombard is a graduate of EDHEC Business School and has an MBA (Columbia Business School, New York, USA).

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 working on derivative products, and four years with Deutsche Bank in the LBO department in London and Paris.

Sophie Lombard was a 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.

Since September 2016, Sophie Lombard has been a Member of the Strategy Committee of the TEDyBEAR Center.



Caroline Puechoultres

Intermarché

21, avenue des Mousquetaires 91070 Bondoufle

Principal position held outside the Company

Marketing & Strategy Director.

Other directorships and positions held

Director of Lexibook (public company).

Other information

Caroline Puechoultres is a graduate of HEC.

Caroline Puechoultres began her career at Procter & Gamble France from 1991 to 1997, before becoming Deputy Manager of Communications in charge of promotions and advertising at M6 Métropole Télévision, until 2000.

From 2000 to 2002, she served as Marketing & Communications Manager at Tiscali & Liberty Surf, and then became Marketing, Communications & Partnerships Manager at Disney Télévision France until 2003.

She then joined the Club Méditerranée group as Strategic Marketing Manager and was subsequently appointed CEO of the Asia Pacific region from 2006 to 2009 (based in Singapore), before becoming CEO – World Strategy from 2010 until end-2012.

From 2013 to September 2015, she was Senior Vice-President in charge of Strategy and Marketing with the digital tour operator Karavel-Promovacances. In October 2015, she joined SIMPKI, the multi-modal, digital travel start-up, as an Associate Executive Director to reinforce the founding team, holding a strategic role before the raising of capital.

Starting in July 2016, Caroline Puechoultres became Marketing & Strategy Director of Intermarché, as a member of the brand's Management Committee, to define and oversee the company's new strategic orientation and develop the brand's new sales and marketing policy.

Other directors

**Michel Paris**

PAI Partners

232, rue de Rivoli, 75001 Paris

Principal position held outside the Company

Chairman of the Executive Committee of PAI Partners.

Other directorships and positions held

Member of the Supervisory Board of Financière Verdi III (Ethypharm); Director of Financière EMG SAS (Euro Media Group), of Financière Daunou 17 SA, of Financière Forêt Sàrl (Perstorp), and of Financière Kilinvest, Chairman of Sapak SAS (Kiloutou group); member of the Supervisory Board of Lilas France SAS (Labeyrie group); Board Observer of Financière Sun (B&B); manager of Carolles Participations.

Other information

Michel Paris joined PAI Partners in 1994.

He is Chairman of the Executive Committee and manager of the distribution, industrial goods and services sector teams.

Michel Paris has over 30 years of investment experience within the Company. He has been involved in a large number of transactions, among which those concerning Sogeres, Bouygues Telecom, Atos, Equant, Elior, Frans Bonhomme, Elis, Vivarte, Saur, Coin, Kwik Fit, Cortefiel, Monier, Xella and EMG.

Prior to that, he spent two years with Valeo.

Michel Paris graduated from École Centrale de Lyon in 1980 and from École Supérieure de Commerce de Reims in 1982.

**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 PAI Partners' consumer goods and healthcare teams.

Other directorships and positions held

Director of PAI Partners UK, and of PAI Europe III General Partner Ltd; Chairman of the Supervisory Board of Financière Sun SAS (B&B Hotels); Chairman of the Supervisory Board of Financière Gaillon 0 SAS and Financière Gaillon;

Chairman and Chief Executive Officer of Financière Gaillon 8, Member of the Supervisory Board of Financière Verdi III (Ethypharm);

Director of Riviera Topco Ltd and Riviera Midco SA (Froneri); Chairman of LB PAI HoldCo SAS and member of the Supervisory Board of Lilas France SAS (Labeyrie); Director of 3 Cime SpA, of Marcolin SpA, and of Marmolada SpA (Marcolin);

Director of Koos Holding Coöperatief UA (Roompot); Manager B TecFin Sarl (Elitech); Director of St Pey Holding;

Manager of G.A.V.U. Gestion Sprl and Alta Rocca Investissements SCI.

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 for five years in the Agri-Business Division.

In 1998, he joined the LBO Department of Deutsche Bank as a Director and *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; United Biscuits from 2008 to 2014; the Saeco Group between 2004 and 2009; and the Yoplait Group from 2002 to 2011.

At the Shareholders' Meeting called to approve the financial statements for fiscal year 2017, the shareholders will be asked to renew the appointments as Directors of Nordine Hachemi, Frédéric Stévenin, Sylvie Charles, Sophie Lombard, and to appoint Lucile Ribot as a new Director and Karine Normand as Director representing employee shareholders.

The list of the various offices held by the Company's directors other than in the group's subsidiaries over the past five years is set forth in Section 3.1.1.1. "Members of the Board of Directors" of the Company's Registration Document.

Under the Internal Rules of the Board of Directors of Kaufman & Broad SA, each Director of the Company must own at least 250 shares. This requirement has been met by each 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 designated 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 an issuer.

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. Operation of the Board of Directors

3.1.1.2.1. Corporate Governance Code

For the preparation of this report, the Company referred to the AFEP-MEDEF Corporate Governance Code of December 2008, revised in November 2016, which may be consulted on the MEDEF website (<http://www.medef.com>).

In relation to the "Comply 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.

3.1.1.2.2. 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 the age of 75. The Company's bylaws also provide that the Chairman of the Board of Directors must be an individual under the age of 70 and that no person may hold the office of Chief Executive Officer or Deputy CEO over the age of 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 and reports about it to the Shareholders' Meeting. The Chairman ensures that the Company's Corporate Governance structures operate effectively and that directors are in a position to properly perform their duties.

The Board of Directors of Kaufman & Broad SA currently has eight members.

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, the strict application of the bylaws. They are invited to meetings of the Board of Directors and participate in its deliberations in an advisory capacity but their absence 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 recommendation 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 directors' fees. At its meeting of September 28, 2017, having noted that Thierry Lefèvre's term of office would expire as of October 1, 2017, the Board of Directors decided not to reappoint him as a non-voting member.

The Company's Board of Directors has established Internal Rules. These were last updated on March 7, 2018, when provisions relating to the Lead Director were added. Before this, they were most recently updated on January 27, 2017, specifically to reflect the main changes in the AFEP-MEDEF Code of Corporate Governance, but also to incorporate the rules relating to the Investment Committee, a new committee within the Board of Directors.

The 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 the holding of 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.

The rules stipulate that the Board may set up committees whose members are responsible for examining questions referred to them by the Board, the Chairman or the Lead Director. The Internal Rules also 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, half-year and annual results. The Internal Rules also stipulate that directors must hold their shares held at the beginning of their 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 contracts on such shares.

The Board of Directors' Internal Rules are available on the Kaufman & Broad website (<http://www.kaufmanbroad.fr>).

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 four times a year, either at the registered office or at any other place indicated in the notice of meeting. Board members are invited by the Chairman to meetings of the Board of Directors by any means, including verbally. 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 if the executive management is not exercised by the Chairman of the Board of Directors.

The Lead Director may also ask the Chairman to convene a Board meeting if there is a specific point whose importance or urgent nature justifies the holding of an extraordinary meeting.

Directors are provided with all the information required to perform their duties and may ask for any document they deem useful.

Board meetings are chaired by the Chairman or, in the Chairman's absence, by the Lead Director, or, in the absence of the latter, a Board member designated for this purpose.

The Board may not validly deliberate unless at least half the Board members are present. Decisions are made by a majority of the votes of Board 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 Board member with a conflict of interest, even a potential conflict, not to participate in the deliberations.

3.1.1.2.5. Duties 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 expressly vested in Shareholders' Meetings 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;
- the 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 the Investment Committee or an ad hoc Committee; in particular, any important transaction that is not part of 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 material investments in organic growth and internal Company restructuring.

The Board carries out the controls and verifications that it deems necessary and is responsible for reviewing and approving the annual and half-year (statutory and/or consolidated) financial statements and for reviewing and approving the related reports stipulated by current regulations.

3.1.1.2.6. Duties and powers of the Chairman and Chief Executive Officer and the Deputy Chief Executive Officers

The Chairman of the Board of Directors is responsible for the Executive 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 March 2, 2017, the Board of Directors renewed for a term of one year the authority granted to its Chairman and Chief Executive Officer, together with the right to sub-delegate such authority, to issue on the Company's behalf any sureties, pledges or guarantees (including 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 for a total amount not exceeding €2,800,000,000, including any amounts required for performance bonds.

On March 7, 2018, this authority was renewed for another year and for the amount of €2,800,000,000 by the Board of Directors.

On recommendation of the Chairman and Chief Executive Officer, the Board of Directors may appoint one or more Deputy Chief Executive Officers, the number of which may not exceed five. They must be

individuals. They do not have to be Board members. In agreement with the Chairman and Chief Executive Officer, the Board determines the scope and term of the powers granted to the Deputy Chief Executive Officers. The Company has no Deputy Chief Executive Officers.

The Chief Executive Officer may be removed 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.

3.1.1.2.7. Duties and remit of the Lead Director

Assisting the Chairman and the Board of Directors and assessing executive management

The Board of Directors may appoint, on the recommendation of the Compensation and Nominating Committee, from among its independent members, a Lead Director, for a term not exceeding that of his/her term of office as a member of the Board.

The Lead Director assists the Chairman in his/her duties, particularly with the organization and proper functioning of the Board of Directors and its committees and the supervision of corporate governance and internal control.

He/she is also responsible for providing the Board of Directors with assistance to ensure the proper functioning of the Company's corporate bodies and to shed light on the operations on which the Board of Directors is required to resolve. In this context, he/she ensures that the members of the Board of Directors are able to carry out their duties in the best possible conditions, in particular by ensuring that they are provided with a high level of information in advance of Board meetings.

In the context and for the purposes of carrying out his/her duties, the Lead Director may occasionally attend, without the right to vote, meetings of the Board committees of which he/she is not a member. He/she has access to the work of these committees and the information that is provided to their members.

The Lead Director meets with the Directors periodically, and at least once a year, without the presence of the executive or internal corporate officers, in order to assess the performance of the Chairman and Chief Executive Officer and, where applicable, the Senior Vice-Presidents, and to reflect on the future of management. These meetings are chaired by the Lead Director.

Managing conflicts of interest

The duties of the Lead Director are, in conjunction with the Compensation and Nominating Committee, which it may consult and meet with to discuss these matters as necessary, the regular implementation of the procedures aimed at identification and analysis, and the provision of information on situations that may fall within the scope of managing and preventing the occurrence of conflicts of interest within the Board of Directors and of the executive corporate officers.

He/she is informed, or informs him/herself, of any conflicts of interest, potential or proven, of which he/she would be aware concerning the executive corporate officers and the other members of the Board. He/she informs the Chairman of the Board of Directors and the Chairman of the Compensation and Nominating Committee and, if the latter regards this as necessary, the Board of Directors.

The Lead Director, as and when required, may make recommendations to the Compensation and Nominating Committee and to the Board of Directors about the management of any conflicts of interest that he/she may have detected or of which he/she has been informed.

3.1.1.2.8. Independence of directors

The Company's Board of Directors currently comprises five independent members from a total of eight members. Four are independent pursuant to the AFEP-MEDEF Code of Corporate Governance of December 2008, as revised in November 2016. They are Sylvie Charles, Caroline Puechoultres, Yves Gabriel and Jean-Louis Chaussade.

Sophie Lombard informed the Board that she had resigned in September 2016 from her office as Executive Vice-President and Director of Financière Gaillon 8, and confirmed that she had had no contractual links with PAI Partners since November 2016 and that, in this regard, she no longer received any remuneration from PAI Partners and that, as a result, she regarded herself as free of any interest in respect of Financière Gaillon 8 and PAI Partners.

The Compensation and Nominating Committee considered, under these circumstances, that Sophie Lombard could qualify as independent. The Board of Directors, at its meeting of March 2, 2017, approved this qualification as an Independent Director as of December 1, 2016.

The Board's decision is in line with the recommendations of the AFEP-MEDEF Code, which stipulates that a board of directors may decide that a director who does not meet the criteria set forth in the Code is nevertheless independent.

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 who has no special interest relationships (major shareholder, employee, other) with them."

The criteria to be reviewed by the Compensation and Nominating Committee for a director to qualify as independent, and to prevent any risk of conflicts of interest between the director and Executive 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 nor 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 a key customer, supplier, investment banker or commercial banker of the Company or its group or for which the Company or its group represents a significant 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 lead to such determination must be explained in the Registration Document;

- does not have close family ties with a corporate officer;
- has not been a Statutory Auditor of the Company within the previous five years;
- has not been a Director of the Company for at least 12 years.

The AFEP-MEDEF Code stipulates that the Board of Directors may estimate that a director, although meeting the criteria laid down, cannot qualify as independent given his/her specific situation or that of the Company, with regard to its shareholding structure or for any other reason. Conversely, the Board may decide that a Director who does not meet the said criteria is nevertheless independent.

Note however 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.

3.1.1.2.9. Fees allocated to Board members

At the Combined Ordinary and Extraordinary Shareholders' Meeting of April 15, 2016, the total amount of directors' fees allocated annually to the Board of Directors was set at €300,000 as from the fiscal year ended November 30, 2016 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 Board members.

The Board's Internal Rules provide that directors' fees are allocated to the directors who perform no duties within Kaufman & Broad group 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 of these Committees.

On the recommendation of the Compensation and Nominating Committee, the Board of Directors, at its meeting on March 7, 2018 resolved to pay directors' fees for 2017:

- in a maximum individual amount of €50,000 to the Directors of the Company who are considered independent;
- in a maximum individual amount of €26,800 to the Company's other directors, with the exception of the Chairman and Chief Executive Officer, who does not receive directors' fees.

Directors' fees allocated to each director for fiscal year 2017 take into account the attendance of each of them at the meetings of the Committees and of the Board of Directors.

The Combined Shareholders' Meeting of May 3, 2018 will be asked to set the total sum allocated to directors' fees at €400,000 as from the fiscal year ended on November 30, 2018 and until a new decision is taken by this meeting.

3.1.1.2.10. Annual Assessment of the Board of Directors

In accordance with the AFEP-MEDEF Code of Corporate Governance for Listed Companies and with the provisions of the Board's Internal Rules, which may be viewed on the Company's website, the Board of Directors must dedicate, at least once a year, one agenda item to the assessment of its own operation and those of its special committees, under the oversight of the Lead Director. A formal assessment is conducted every three years, which may be conducted under the direction of the Lead Director or an Independent Director or independent Board member, with the assistance of an external consultant if applicable. The criteria for the assessment of the operation of the Board for fiscal year 2017 were delivered to the directors at the meeting of March 7, 2018. The outcome of this assessment will be presented at the next Board meeting.

3.1.1.2.11. Meetings of the Board of Directors in 2017

In fiscal year 2017, the Board of Directors met seven times (the attendance rate of Directors at Board meetings was 88%):

- on **January 27, 2017**, the Board of Directors met, attended by seven members. The Board discussed the following agenda:
 - presentation by the Chairman of the Board of Directors of the report for 2016 and the main areas of strategy,
 - report of the Audit Committee – minutes of the meeting of January 25, 2017,
 - review of the estimated consolidated financial data at November 30, 2016,
 - approval of the 2017 budget – review and approval of the draft management documents and the report analyzing these documents,
 - review and approval of the draft press release on the 2016 annual results,
 - report of the Compensation and Nominating Committee – minutes of the meeting of January 18, 2017,
 - compensation of corporate officers and management for fiscal years 2016 and 2017,
 - amount of directors' fees – allocation for fiscal year 2016,
 - adoption of new Internal Rules for the Board – creation of an Investments Committee,
 - recording of the resignation of a Director – co-option of a Director,
 - powers for formalities;
- on **March 2, 2017**, the Board of Directors met, attended by eight members. The Board discussed the following agenda:
 - report of the Audit Committee – minutes of the meeting of February 28, 2017,
 - report of the Compensation and Nominating Committee – minutes of the meeting of February 28, 2017,
 - compensation of corporate officers and management for 2017,

- review of Company policy regarding gender and pay equality,
 - review and approval of the statutory financial statements at November 30, 2016 and the proposed appropriation of net profits for the fiscal year,
 - review and approval of the Consolidated Financial Statements for the fiscal year ended November 30, 2016,
 - 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,
 - 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 and approval of the draft press release relating to the convening of the Shareholders' Meeting and the dividend for the fiscal year ended November 30, 2016,
 - determination as to whether Sophie Lombard meets the criteria for an Independent Director,
 - HR presentation;
 - on **April 24, 2017**, the Board of Directors met, attended by seven members. The Board discussed the following agenda:
 - minutes of the Audit Committee meeting of April 24, 2017,
 - review of the financial statements for the first quarter of 2017,
 - minutes of the meeting of the Compensation and Nominating Committee of April 24, 2017,
 - 2016 bonus share plan – definitive award,
 - marketing presentation;
 - on **May 11, 2017**, the Board of Directors met, attended by six members. The Board discussed the following agenda:
 - option for payment of the dividend in shares – setting of the issue price in shares,
 - implementation of the share buyback program,
 - 2016 bonus share plan – determination of vesting conditions,
 - 2017 bonus share plan – determination of vesting conditions;
 - on **July 10, 2017**, the Board of Directors met, attended by eight members. The Board discussed the following agenda:
 - report of the Audit Committee: Minutes of the meeting of July 10, 2017,
 - business activities in the first half of 2017,
 - review and approval of the half-yearly Consolidated Financial Statements at May 31, 2017,
 - update III: Presentation of the revised 2017 Plan,
 - report of the Compensation and Nominating Committee: Minutes of the meeting of July 10, 2017,
 - 2015 bonus share plan – definitive award,
 - structured employee share ownership – implementation of the leveraged company mutual fund (FCPE),
 - assessment of the operation of the Board of Directors;
 - on **September 28, 2017**, the Board of Directors met, attended by seven members. The Board discussed the following agenda:
 - report of the Audit Committee – minutes of the meeting of September 28, 2017,
 - presentation of the estimated consolidated financial data at August 31, 2017,
 - review and approval of the revised draft management documents for 2017 and of the report analyzing those documents,
 - presentation of trends in major risks arising from risk mapping,
 - reflection on the compensation of the corporate officer and bonus share plans for group employees,
 - adoption of the new Charter of the Audit Committee;
 - on **November 8, 2017**, the Board of Directors met, attended by six members. The Board discussed the following agenda:
 - proposed structuring of the corporate officer's compensation,
 - proposed designation of a Lead Director,
 - appointment of a new member of the Compensation and Nominating Committee,
 - updating of the Code of Ethics,
 - approval of an interim accounting statement as at May 31, 2017,
 - structured employee share ownership – implementation of the leveraged offer reserved for employees.
- Since November 30, 2017, the Board of Directors has met twice:
- on **January 29, 2018**, the Board of Directors met, attended by six members. The Board discussed the following agenda:
 - presentation by the Chairman of the Board of Directors of the report for 2017 and the outlook for 2018,
 - report of the Audit Committee – minutes of the meeting of January 26, 2018,
 - review of the estimated consolidated financial data at November 30, 2017,
 - approval of the 2018 budget – review and approval of the draft management documents and the report analyzing these documents,
 - review and approval of the draft press release on the 2017 annual results,
 - report of the Compensation and Nominating Committee – minutes of the meeting of January 29, 2018,
 - compensation of corporate officers and management for fiscal years 2017 and 2018,
 - adoption of new Internal Rules for the Board of Directors,

- proposed dividend payment,
- shareholding structure,
- updates on some significant transactions,
- marketing presentation;
- on March 7, 2018, the Board of Directors met, attended by seven members. The Board discussed the following agenda:
 - report of the Audit Committee – minutes of the meeting of March 5, 2018,
 - review and approval of the statutory financial statements at November 30, 2017 and the proposed appropriation of net profits for the fiscal year;
 - review and approval of the consolidated financial statements for the fiscal year ended November 30, 2017;
 - 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;
 - renewal of the share buyback program;
 - prior approval of the services provided by the Statutory Auditors;
 - report of the Compensation and Nominating Committee – minutes of the meetings of February 22 and March 5, 2018;
 - compensation of corporate officers and management for 2018;
 - review and approval of the report of the Board of Directors on the principles and criteria for determining, dividing up and allocating the fixed, variable and extraordinary components of the total compensation and benefits of any kind attributable to executive corporate officers;
 - review of Company policy regarding gender and pay equality;
 - recording of the end of the terms of office of Directors – proposal to reappoint them;
 - proposal to appoint a new Director;
 - proposal to amend the Company bylaws;
 - proposal to appoint a Director representing employee shareholders;
 - award of bonus shares;
 - amount of directors' fees: Breakdown for fiscal year 2017;
 - adoption of new Internal Rules;
 - convening of a Combined Ordinary and Extraordinary Shareholders' Meeting and setting the agenda and the text of the draft resolutions;
 - review and approval of the draft press release relating to the convening of the Shareholders' Meeting and the dividend for the fiscal year ended November 30, 2017.

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. Charter of the Audit Committee

A charter describes the organization, powers and operation of the Audit Committee. Its most recent update was approved on September 28, 2017 by the Board of Directors, with the aim, in particular, of reflecting the retranscription into French law of the European audit reform.

3.1.2.1.2. Membership of the Audit Committee

The Audit Committee is composed of at least three members taken from the members of the Board, at least two-thirds of whom are Independent Directors, pursuant to the independence criteria adopted by the Company. It is chaired by an Independent Director.

The terms of office of members of the Audit Committee coincide with their terms of office as members of the Board of Directors. They may be renewed at the same time as the latter terms of office.

Members of the Audit Committee are selected in view, in particular, of their independence and their financial and/or accounting expertise. To this end, at least one independent member of the Committee has special expertise in financial and/or accounting matters acquired during the course of his/her professional career;

At the time of their appointment, members of the Audit Committee receive information regarding the specific nature of the Company's accounting, financial and operating procedures.

The Audit Committee comprises three independent members appointed for their term of office as directors: Sylvie Charles, appointed on February 16, 2012 and Chairman as of September 30, 2014, Sophie Lombard, appointed on September 29, 2010 and an Independent Director as of December 1, 2016, and Yves Gabriel, appointed on July 11, 2016 to replace Frédéric Stévenin, who resigned.

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. Duties of the Audit Committee

The Charter of the Company's Audit Committee stipulates that its members are required to conduct a preliminary review of the financial statements and risks of the Company, specifically by:

- reviewing the financial statements and the relevance and consistency of the accounting methods used to prepare the statutory financial

statements and the consolidated half-year and annual financial statements and their scope of application;

- monitoring the effectiveness of internal control and risk management systems: in particular, the Audit Committee reviews the material off-balance sheet commitments of the Company and its subsidiaries;
- monitoring of the accounting treatment of any material transaction conducted by the Company;
- monitoring the internal data collection and control procedures and the quality and reliability of the Company's financial statements;
- controlling, before publication, all the accounting and financial documents, in particular in relation to the approval of the statutory financial statements and the half-year and annual consolidated financial statements;
- reviewing provisions and their adjustments and any situation that could generate a significant risk for the group;
- monitoring the Company's financing policy and the risks related thereto;
- reviewing and providing an opinion to the Board of Directors on the procedure to select the Statutory Auditors, or, if applicable, an audit firm, and the monitoring of the independence and objectivity rules for Statutory Auditors.

The Audit Committee has all the resources it deems necessary to carry out its tasks. In particular, it may consult with the Company's Statutory Auditors and the group companies, financial, accounting, treasury and internal audit managers, or any other experts that it has selected based on their expertise and independence, including without the presence of the Company's management.

In order to monitor the effectiveness of the internal control and risk management systems, the Audit Committee ensures the deployment and implementation of corrective actions if significant weaknesses or anomalies are identified in these systems. It is also informed about the main findings of the Statutory Auditors and the Internal Audit Department.

The Audit Committee gives its opinion on the organization of the Internal Audit Department and is informed about its work program. It must receive the internal audit reports or a periodic summary of these reports.

The Audit Committee must consult the Statutory Auditors on a regular basis, including without the presence of executives. In particular, it must consult the Statutory Auditors during Audit Committee meetings dealing with the review of the financial reporting process and the review of the financial statements, in order to report on the performance of their duties and the conclusions of their work.

The Audit Committee must oversee the procedure for selecting and reappointing the Statutory Auditors, and submit to the Board of Directors a recommendation on the Statutory Auditors whose appointment is proposed to the Shareholders' Meeting.

Furthermore, to enable it to monitor the independence and objectivity rules for the Statutory Auditors throughout their term of office, the Audit Committee must be provided with the following on an annual basis:

- the statement of independence of the Statutory Auditors;
- the amount of fees paid to the Statutory Auditors' network by entities controlled by the Company, or by the entity which controls it, for the delivery of services not directly related to the duties of the Statutory Auditors;

- information on the performance of the procedures directly related to the Statutory Auditors' duties.

The statutory audit of the Company's financial statements must exclude any procedures not related to the statutory audit. However, after prior approval by the Audit Committee, ancillary or directly supplementary audit work may be performed, such as acquisition or post-acquisition audits, but excluding valuation and consulting work.

The Charter of the Audit Committee thus specifies the rules and procedures relating to the provision by the Statutory Auditors of a service other than the certification of the financial statements.

3.1.2.1.4. Audit Committee Procedures

Meetings of the Audit Committee are validly held if at least half its members are present. Meetings of the Audit Committee are convened by its Chairman or, if applicable, the Chairman of the Board of Directors.

Furthermore, two Committee members may convene a meeting of the Committee if they believe it necessary to discuss one or more specific matters.

The Audit Committee's agenda is set by the Chairman of the Audit Committee.

The Committee meets whenever necessary and, in any event, at least four times a year. Meetings are held prior to meetings of the Board of Directors and, as far as possible, at least two days prior to this meeting if the Committee's agenda includes a review of the annual and half-year financial statements prior to their approval by the Board of Directors.

The Audit Committee's review of the annual or half-year 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 Audit Committee may also, whatever its meeting agenda, consult with employees of the Company or the Statutory Auditors without the presence of the Company's management, who are informed of this in advance.

Members of the Audit Committee and meeting participants are bound by professional secrecy.

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 Audit Committee is the secretary of the Board of Directors.

The Audit Committee receives important documents within its remit (financial analysts' ratings, ratings from rating agencies, summaries of audit assignments, etc.). It may request additional reports if it wishes.

The Audit Committee makes its decisions by a majority of the members attending the meeting, with each member holding one vote.

3.1.2.1.5. Compensation paid to members of the Audit Committee

Refer to Section 3.2.1.1. "Compensation of 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 fiscal year 2017

In fiscal 2017, the Audit Committee met five times (the attendance rate of directors at Audit Committee meetings was 100%):

- on **January 25, 2017**, the Audit Committee met, attended by three members. The Committee discussed the following agenda:
 - review of the notes to the Consolidated Financial Statements at November 30, 2016,
 - review of the statutory financial statements at November 30, 2016 and the proposed appropriation of net profits for the fiscal year,
 - comments of the Statutory Auditors on the statutory financial statements at November 30, 2016,
 - review of the Chairman's report on Corporate Governance and internal control,
 - Internal audit: results of the H2 2016 tests on the internal control system, 2016 annual summary and 2017 forward plan,
 - presentation of the draft report of KPMG, an independent third party body, on the corporate, environmental and societal information included in the management report;
- on **February 28, 2017**, the Audit Committee met, attended by three members. The Committee discussed the following agenda:
 - review of the notes to the Consolidated Financial Statements at November 30, 2016,
 - review of the statutory financial statements at November 30, 2016 and the proposed appropriation of net profits for the fiscal year,
 - comments of the Statutory Auditors on the statutory financial statements at November 30, 2016,
 - review of the Chairman's report on Corporate Governance and internal control,
 - Internal audit: results of the H2 2016 tests on the internal control system, 2016 annual summary and 2017 forward plan,
 - presentation of the draft report of KPMG, an independent third party body, on the corporate, environmental and societal information included in the management report;
- on **March 24, 2016**, the Audit Committee met, attended by three members. The Committee discussed the following agenda:
 - review of the financial statements for the first quarter of 2017;
- on **July 10, 2017**, the Audit Committee met, attended by three members. The Committee discussed the following agenda:
 - review of business activities in the first half of 2017;

- review of the estimated financial data for the first half of 2017 and review of the main potential risks identified to date,
- internal audit: presentation of the results of the DCI (Internal Control System) tests at the end of the first quarter of 2017,
- update III: presentation of the revised 2017 Plan;
- on **September 28, 2017**, the Audit Committee met, attended by three members. The Committee discussed the following agenda:
 - review of the estimated consolidated financial data at August 31, 2017,
 - quarterly results of internal control system tests,
 - presentation of the new Charter of the Audit Committee (including services other than the certification of the annual financial statements),
 - presentation of trends in major risks arising from risk mapping.

Since November 30, 2017, the Audit Committee has met twice:

- on **January 26, 2018**, the Audit Committee met, attended by two members. The Committee discussed the following agenda:
 - review of the estimated consolidated financial data at November 30, 2017,
 - comments of the Statutory Auditors on the consolidated financial data estimated at November 30, 2017,
 - review of the 2018 budget,
 - presentation of trends in major risks arising from risk mapping;
- on **March 5, 2018**, the Audit Committee met, attended by three members. The Committee discussed the following agenda:
 - review of the notes to the consolidated financial statements at November 30, 2017;
 - review of the statutory financial statements at November 30, 2017 and the proposed appropriation of net profits for the fiscal year;
 - comments of the Statutory Auditors on the statutory financial statements at November 30, 2017;
 - review of the Chairman's report on corporate governance and internal control,
 - internal audit: results of the H2 2017 tests on the internal control system, 2017 annual summary and 2018 forward plan;
 - presentation of the draft report of KPMG, an independent third party body, on the corporate, environmental and societal information included in the management report;
 - prior approval of the services provided by the Statutory Auditors.

The Statutory Auditors attended all meetings of the Audit Committee and were also invited to make any observations they considered useful to bring to the attention of the members of the Committee.

3.1.2.2. Compensation and Nominating Committee

3.1.2.2.1. Membership and duties

The Board's Internal Rules provide that the Compensation and Nominating Committee is composed of at least three Directors, at least half of whom must be independent. It is chaired by an Independent Director. It currently comprises Yves Gabriel, an Independent Director appointed on July 11, 2016 and Chairman as of that date, Sophie Lombard, an Independent Director appointed at the Board meeting of February 17, 2011, and Caroline Puechoultres, an Independent Director appointed at the Board meeting of September 30, 2014.

The duties of the Compensation and Nominating Committee are to assist the Board of Directors in determining the compensation paid to corporate officers and other executive officers of the Company. 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 the directors, based on their attendance at meetings of the Board and its Committees.

The Committee also provides the Board of Directors with advice on the general policy for the award of stock warrants and/or stock options and bonus shares, and on the stock option plans prepared by the group's Executive Management. The Committee also submits recommendations to the Board on awards of stock options or stock warrants or awards of bonus shares.

Lastly, it formulates proposals to the Board of Directors in respect of the appointment and/or reappointment of the corporate officers, the directors and the members of the Committees, taking account of the balanced representation of men and women and in accordance with a policy of non-discrimination.

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 remit.

Meetings may take place via videoconference or by conference call.

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's Charter as a reminder that:

- the Committee establishes a succession plan for executive corporate officers and Directors so that it is in a position to advise the Board on options for succession in case of unforeseen events; and
- when making its recommendations for the appointment of corporate officers, directors and Committee members, the Committee must, in the interest of the Company and of all its shareholders, 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 2017

In fiscal year 2017, the Compensation and Nominating Committee met five times (the attendance rate of directors at meetings of the Compensation and Nominating Committee was 62%):

- on **January 18, 2017**, the Compensation and Nominating Committee held a meeting attended by three members. The Committee discussed the following agenda:
 - reminder of the role of the Compensation and Nominating Committee,
 - proposed renewal of the terms of office of the directors and proposed appointment of a new director,
 - variable remuneration of the corporate officers and senior executives who are members of the Executive Committee for fiscal year 2016,
 - a bonus share award of April 15, 2016 – achievement of the performance criteria set for Nordine Hachemi in relation to the 2016 Ordinary Plan and the 2016 Extraordinary Plan,
 - remuneration of the corporate officers and senior executives who are members of the Executive Committee for fiscal year 2017. Amounts of variable remuneration, criteria, weightings, objectives and the tables of calculations of the variables,
 - bonus share award – proposals for the new plan, performance criteria for the award of shares to the corporate officers and senior executives and the award criteria by population,
 - amount of directors' fees – proposed allocation for 2016;
- on **February 28, 2017**, the Compensation and Nominating Committee held a meeting attended by two members. The Committee discussed the following agenda:
 - 2016-2017 wage policy: compensation analysis and budget management;
 - compensation of corporate officers, senior executives, and Executive Committee members for fiscal year 2017 – amount, criteria, weightings, objectives, and tables for the calculation of variables,
 - proposed update of the corporate officer contract,
 - bonus share awards – proposal for the new plan, proposal of performance criteria for the award of shares to the corporate officers and senior executives – proposal for award criteria by population,
 - qualification of Sophie Lombard as an Independent Director;
- on **April 24, 2017**, the Compensation and Nominating Committee held a meeting attended by two members. The Committee discussed the following agenda:
 - definitive award of bonus shares which have been authorized by the Shareholder's Meeting of April 15, 2016,
 - award of bonus shares – proposal for 2017 – approval of draft regulations for bonus share plans ("2017 First Plan" at the end of

the Shareholders' Meeting of May 11, 2017 and the "2017 Second Plan" at the end of the Extraordinary Shareholders' Meeting of April 15, 2016);

- on **July 10, 2017**, the Compensation and Nominating Committee held a meeting attended by two members. The Committee discussed the following agenda:
 - changes to the composition of the Board of Directors,
 - plan to implement a leveraged FCPE under the 18th resolution of the Shareholders' Meeting of May 11, 2017,
 - proposed study of a mechanism for the allocation of bonus preference shares;
- on **October 12, 2017**, the Compensation and Nominating Committee held a meeting attended by two members. The Committee discussed the following agenda:
 - compensation of the corporate officer,
 - bonus share plan for group employees,
 - bonus share plan for the members of the Extended Management Committee.

Since November 30, 2017, the Compensation and Nominating Committee has met three times:

- on **January 29, 2018**, the Compensation and Nominating Committee held a meeting attended by two members. The Committee discussed the following agenda:
 - proposed renewal of the terms of office of the Directors and proposed appointment of a new Director,
 - variable remuneration of the corporate officer and senior executives who are members of the Executive Committee for fiscal year 2017,
 - bonus share awards under the "2017 First Plan" and "2017 Second Plan" – achievement of the performance criteria set for the corporate officer and senior executives, members of the Executive Committee and the Extended Management Committee for a definitive award of the shares under the two plans authorized by the Shareholders' Meetings of May 11, 2017 and April 15, 2016,
 - compensation of the corporate officer and senior executives who are members of the Executive Committee for fiscal year 2018,
 - the amounts of variable remuneration, criteria, weightings, objectives, tables of calculations of the variables, and vehicle budget.
- on **February 22, 2018**, the Compensation and Nominating Committee met attended by three members. The Committee discussed the following agenda:
 - compensation of the corporate officer for 2018: fixed compensation, annual variable compensation, long-term incentive compensation;
 - compensation of senior executives and members of the Executive Committee for 2018, fixed compensation, annual variable compensation;
 - proposed reappointment as Directors of Nordine Hachemi, Frédéric Stévenin, Sophie Lombard, Caroline Puechoultres, and Sylvie Charles;
 - proposal to appoint a new Director;

- amount of directors' fees – proposed allocation for 2017;

- on **March 5, 2018**, the Compensation and Nominating Committee held a meeting attended by three members. The Committee discussed the following agenda:
 - bonus share award – proposed new plan; proposed performance criteria for the definitive award of shares to senior executives;
 - proposed new authorization by the Shareholders' Meeting in 2018 to carry out the bonus share award;
 - proposed reappointment of Nordine Hachemi as Chairman of the Board of Directors exercising executive management of the Company;
 - Amount of directors' fees – proposed allocation for 2017.

3.1.2.3. Investments Committee

3.1.2.3.1. Membership and duties

The Board's Internal Rules, updated at the meeting of the Board of Directors of January 27, 2017, stipulate that the Investments Committee, created on January 27, 2017, shall be composed of at least three members taken from the members of the Board, at least half of whom shall be Independent Directors in relation to the independence criteria adopted by the Company. It is chaired by an Independent Director. It currently comprises three Independent Directors, appointed at the meeting of the Board of Directors of January 27, 2017: Sophie Lombard, an Independent Director as of December 1, 2016, and Chairman, Sylvie Charles, and Yves Gabriel.

The Investments Committee meets at least twice a year, and as many times as necessary, according to the development of the Company's activities. Meetings may take place via videoconference or by conference call.

The Committee's duties are to review and issue an opinion on the following projects:

- any acquisition or disposal of an entity of a material amount that may change the structure of the Company's balance sheet, and in any event any acquisition or disposal with an enterprise value of more than €10 million;
- material investment projects that do not, in the opinion of Executive Management, meet the selection and risk criteria set by the Company and described in Section 1.1.8. of the Company's Registration Document (such as, for example, an investment involving the establishment of a corporate structure or a fund in which the group invests alongside other promoters or investors, that will carry land or real estate assets for a long period of time), and involving a risk with a unit value of more than €3 million and, more generally, any investment project outside the ordinary course of business of the Company and its group.

Once a year, the Investments Committee meets to review the amount of the risks borne in relation to the investment projects reviewed in accordance with the previous paragraph, as reassessed by Executive Management. Assuming that the total amount of risks thus reassessed is greater than €15 million, any new investment project meeting the above criteria and presented by the Executive Management to the Investments Committee must be approved by the Board of Directors; in the event

of approval by the Board of Directors, said amount must be increased accordingly.

Lastly, the 10 largest transactions under way in terms of financial investment must be presented to the Investments Committee at each of its meetings.

3.1.3. Senior Executives

The management of the group is organized under the leadership of the Chairman and Chief Executive Officer, Nordine Hachemi, as well as other senior executives of the group.

Since January 1, 2016, the management bodies have changed and are now primarily made up of an Executive Committee, a Management Committee, and an Extended Management Committee, which also consists of regional and branch managers.

3.1.3.1. Executive Committee

Since January 2016, Kaufman & Broad's Executive Committee has been composed of seven members:

Nordine Hachemi – Chairman and Chief Executive Officer; Bruno Coche – Chief Financial Officer; Christian Delapierre – Senior Vice-President Institutional Sales and Île-de-France, Inner Paris Suburbs; David Laurent – Senior President Commercial Property and Major Urban Projects; Dominique Podesta – Senior Vice-President Human Resources; Jacques Rubio – Senior Vice-President Southwest Region and Managed Accommodation; William Truchy – Senior Vice-President Major Regions, Marketing, Communications and Digital, Architecture-Quality and Innovation and Marketing Management.

The Executive Committee implements the group's strategy and monitors its deployment, in particular through the Annual Plan by business activity. Finally, it defines any organization adjustments that may be required based on the strategic decisions of the Board of Directors and ensures their implementation.

3.1.3.1.1. Nordine Hachemi, Chairman and Chief Executive Officer

Nordine Hachemi, a graduate of Institut de Physique du Globe de Strasbourg, of École Nationale du 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. In 2008 he became Chairman and Chief Executive Officer of Sechilienne Sidec, a group specialized in the production of energy and renewable energy until 2011. He also joined the Supervisory Board of Citizen Capital, of which he is still a member.

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

3.1.2.3.2. Compensation of members of the Investments Committee

Refer to Section 3.2.1.1. "Compensation paid to members of the administrative bodies".

3.1.2.3.3. Meetings of the Investments Committee

The Investments Committee met once in the fiscal year 2017, on June 1, 2017, with the attendance of all its members.

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

3.1.3.1.2. Bruno Coche, 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 Europe and participated in the group's growth and long-term debt and equity 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 Chief Financial Officer and a member of the Management Committee since December 2009. In January 2016, Bruno Coche was promoted Senior Vice-President Finance and became a member of the Executive Committee.

3.1.3.1.3. Christian Delapierre, General Manager Institutional Sales and Île-de-France – Inner Paris suburbs

Christian Delapierre has an undergraduate degree (DEUG) in Law and a graduate degree in real estate (ESPI); he 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. In November 2015, Christian Delapierre was appointed Senior Vice-President in charge of the Major Projects Division and Inner Suburbs Development in Île-de-France. In January 2016, he became a member of the Executive Committee.

3.1.3.1.4. David Laurent, General Manager Commercial Property and Major Urban Projects

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 has since 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. In January 2016, he became a member of the Executive Committee. In September 2016, he became Head of the Major Urban Projects Department. In January 2017, he was appointed Senior Vice-President Commercial Property and Major Urban Projects.

3.1.3.1.5. 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 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 Bergerat Monnoyeur Human Resources. Dominique Podesta joined the Kaufman group in January 2015 as Senior Vice-President Human Resources and, since that date, she has been a member of the Management Committee. In January 2016, she became a member of the Executive Committee.

3.1.3.1.6. Jacques Rubio, General Manager, Grand Sud-Ouest and Managed Accommodation

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 Chairman and Chief Executive Officer in 1985. In 2004, SA Malardeau became a subsidiary of the Kaufman & Broad group and he was named Senior Vice-President Kaufman & Broad Southwest. In 2009, he was named Senior Vice-President Southwest Region, in charge of the agencies in Toulouse, Bordeaux and Bayonne, and Montpellier since 2014. He has been a member of the Management Committee since December 2009. Jacques Rubio, develops the Managed Accommodation and External Sales businesses. In January 2016, he became a member of the Executive Committee.

3.1.3.1.7. William Truchy, General Manager Major Regions, Marketing, Communication and Digital, Architecture-Quality and Innovation and Sales and Marketing Île-de-France

After earning 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 Burgundy and the Rhône-Alpes region, and subsequently Sales Director for the Provence-Côte d'Azur, Bordeaux and Toulouse regions. He was appointed National Sales Director in 1987 and then Senior Vice-President in 1989. William Truchy joined Kaufman & Broad in March 2003 as Sales and Marketing Director for Île-de-France. He was appointed 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. In September 2015, he was put in charge of the Marketing, Communication

and Digital Department as well as the Architecture-Quality and Innovation Department. In January 2016, he became a member of the Executive Committee. In April 2017, he became Head of the Residential Property Marketing Department.

The members of the Executive 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 an issuer.

3.1.3.2. Management Committee

The Management Committee of Kaufman & Broad has 14 members: the members of the Executive Committee, as well as: Chrystèle Marchand, Director of Marketing, Digital and Communication; Frédéric Bourg, Senior Vice-President Île-de-France Operations; Christophe Court, Head of Residential Property Marketing (as of June 1, 2017); Cyril Doucet, Regional Senior Vice-President, Outer Paris Suburbs; Christophe Duretete, Regional Senior Vice-President Grand Ouest (as of 1 December 2017); Marc Speisser, Regional Senior Vice-President Grand Est; and Thierry Verninas, Head of Innovation, Quality and Architecture. The Management Committee monitors the implementation of the Plan by business activity. It proposes improvement initiatives and sets the objectives to be deployed in the agencies and divisions. It contributes to the definition and implementation of the group's projects.

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.

3.1.3.3. Operational Divisions

The principal regional divisions within the group are as follows:

Paris/Île-de-France

- Nordine Hachemi manages the Île-de-France Region
 - Christian Delapierre, General Manager Institutional Sales and Île-de-France - Inner Paris Suburbs Sector 3 (75, 92, 93 and 94 North)
 - Xavier Granger, Agency Director Sector 3 (75, 92, 93 and 94 North)
 - Cyril Doucet, Regional Senior Vice-President Outer Paris Suburbs (77, 78, 91, 94 South and 95)
 - Marc Vettraino, Agency Director Sector 2 (77, 91 and 94 South)
 - Krystel Briant, Agency Director Seine-et-Marne (as of December 1, 2017)
 - Isabelle Charveriat, Agency Director Essonne and Val-de-Marne South (as of December 1, 2017)
 - Geoffrey Doux, Agency Director Val-d'Oise (as of December 1, 2017)
 - Mathieu Jaegle, Agency Director Yvelines (as of December 1, 2017)
 - Frédéric Bourg, Senior Vice-President Île-de-France Operations

West – Normandy – North – East – Rhône-Alpes – Savoie – Southeast Region

- William Truchy, General Manager Major Regions, Marketing, Communications and Digital, Architecture-Quality and Innovation and Marketing Management.

Grand Ouest: Loire-Atlantique – Brittany – Normandy – North Flanders

- Christophe Duretete, Senior Vice-President, Grand Ouest
 - Guillaume Basile, Agency Director Caen/Rouen/Le Havre
 - Fabien Rolland, Rennes Agency Director
 - Yann Blondelle, Nantes Agency Director
 - Nicolas Riffart, Agency Director North Flanders

Seri Ouest, Brittany, Normandy**Grand Est: East – Rhône-Alpes – Méditerranée – Savoie – Côte d'Azur – Provence**

- Marc Speisser, Regional Senior Vice-President Grand Est
 - Thierry Guehenneuc, Agency Director Lyon – Dijon (Rhône-Alpes)
 - Ludovic Landon-Rouly, Agency Director Annecy – Grenoble (Alpes)
 - Stéphane Thirrouiez, Agency Director, Nice (Provence)
 - Nicolas Batisse, Agency Director, Toulon (Var)
 - Marc Speisser, Agency Director Marseille (Méditerranée)
 - Thibaud Simon, Agency Director Strasbourg

Midi-Pyrénées – Aquitaine – Languedoc-Roussillon Region

- Jacques Rubio, General Manager, Grand Sud-Ouest, Managed Accommodation and External Sales
 - Julien Destouches, Agency Director Montpellier – Perpignan (Languedoc-Roussillon)
 - Denis Caniaux, Agency Director, Bayonne (Pyrénées-Atlantiques)
 - Georges Lopez, Agency Director Bordeaux – La Rochelle (Gironde)
 - Tony Aringoli, Agency Director, Toulouse (Midi-Pyrénées)

Serge Mas Promotion Toulouse**Commercial Property and Logistics, Major Urban Projects**

- David Laurent, General Manager Commercial Property and Major Urban Projects
 - Patrick Decreton, Senior Vice-President Commercial Property Promotion
 - Charles-Henri Billot, Senior Vice-President Commercial Property Development
 - Jean-Paul Rival, General Manager Property Logistics
 - Christophe Henry, Senior Vice-President Property Logistics
 - Jean-Raphaël Nicolini, Director Major Urban Projects

3.1.3.4. Directorships held by the Chairman and Chief Executive Officer**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, Manager
Kaufman & Broad Rénovation SAS	Representative of Kaufman & Broad SA, Chairman
Saint-Cloud Armengaud 15 SNC	Representative of Kaufman & Broad SA, Joint Manager
Kaufman & Broad Europe SAS	Representative of Kaufman & Broad SA, Chairman

Outside directorships and positions

RKCI	Chairman
SCI M D Raphael	Manager
Artimus Participations SAS	Chairman

3.2. Management's interests

3.2.1. Compensation and benefits in-kind received for any reason by members of the Company's administrative and management bodies for the latest fiscal year ended

3.2.1.1. Compensation of members of the administrative bodies

On the recommendation of the Compensation and Nominating Committee, the Board of Directors, at its meeting of March 7, 2018, resolved to pay a total amount of €246,600 in directors' fees for the fiscal year ended November 30, 2017, broken down as follows, based on the criteria listed in Section 3.1.1.2.9. "Directors' fees allocated to Board members":

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 2018	Amount paid in fiscal year 2017
Sylvie Charles	50,000	46,800
Jean-Louis Chaussade	22,333	0
Alexandre Dejoie	4,467	20,000
Yves Gabriel	50,000	28,100
Yves Galland	0	12,700
Sophie Lombard	50,000	20,000
Joël Monribot	0	20,100
Caroline Puechoultres	29,800	35,800
Frédéric Stévenin	20,000	20,000
Olivier de Vregille	0	12,500
Michel Paris	20,000	20,000
TOTAL	246,600	236,000

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 executive 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 AFEP-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; the compensation package is balanced; 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.

Furthermore, pursuant to Article L.222-37-2 of the French Commercial Code, the principles and criteria for determining and dividing up compensation for corporate officers are explained in the Report of the Board of Directors, included in Section 9.5. "Report on the principles and criteria for determining the distribution and allocation of the fixed, variable and exceptional components of the total compensation and benefits of any kind awarded to executive corporate officers", subject to the approval of shareholders.

3.2.1.2.2. Group compensation policy

The Group's compensation policy has always consisted of closely linking economic results with individual performance, measured on the basis of objective and quantifiable criteria. It is based on compensation principles applicable to both employees and management teams, offering an attractive basic salary to attract and retain talent and a variable component that rewards individual and collective performance.

The aim of this policy is to:

- adapt compensation to the Group's economic context and collective performance, while being a source of motivation and individual effectiveness;
- involve employees directly in results over several years;

To achieve these objectives, several resources have been put in place:

1. The annual compensation of employees and management teams includes a significant variable component, regardless of the function performed, conditional upon the achievement of targets that are ambitious, but limited to a maximum level to avoid excessive risk-taking, and established on annual or even two-yearly criteria, to avoid restriction to a short-term point of view only.

In 2017, approximately 35% of the annual compensation paid to employees was made up of a variable component, determined on the basis of the company's performance and annual individual targets. This component represented more than 50% of the total compensation for the members of the Executive Committee, more than 49% for the members of the Compensation Committee and 57% for the Chairman and Chief Executive Officer.

2. Access to the share capital of the Company, in order to involve employees and managers in value creation over the medium/long term, through:

- a) The implementation of universal bonus share plans every year, benefiting all employees, with a four-year availability horizon, including for the Chairman and Chief Executive Officer and the members of the Executive Committee, the Management Committee and the Extended Executive Committee, the award being subject to strict long-term performance conditions.

On average, excluding exceptional transactions, approximately 100,000 existing shares, i.e. less than 0.5% of the Company's share capital, are awarded each year as part of the bonus share plans put in place by the Company,

- b) Company savings plans (PEE)/company mutual funds (FCPE) open to all employees, about 75% having subscribed to these vehicles with a five-year availability horizon,
- c) The creation of an investment vehicle, Artimus Participations, to which about 125 managers contributed, either in cash or in the form of KBSA shares, more than €21 million of capital for a period of eight years.

The compensation and benefits for fiscal year 2017 received by Kaufman & Broad SA's executive corporate officers are listed in the following tables:

Table 1 AMF Definitions

Summary table of the compensation and stock options and shares awarded to each executive corporate officer (amounts in euros)

Nordine Hachemi Chairman and Chief Executive Officer	Fiscal year ended November 30, 2017	Fiscal year ended November 30, 2016
Compensation for the fiscal year (detailed in Table 2)	1,442,453	1,426,997
Valuation of the multi-year variable compensation paid during the fiscal year	–	–
Options awarded during the fiscal year (detailed in table 4)	–	–
Valuation of the bonus shares awarded during the fiscal year (detailed in Table 6)	509,799	2,368,205
o/w Ordinary Plan ⁽¹⁾		550,580
o/w Extraordinary Plan ⁽²⁾		1,817,625
TOTAL	1,952,252	3,795,202

1) 20,000 shares under the Ordinary Plan, subject to compliance with a series of quantity and quality performance criteria with an impact on the group's business activities over the short term (budget year) and over the medium term as defined by the Company for fiscal year 2016.

2) 66,025 shares under the Extraordinary Plan, subject to performance conditions related primarily to the success of the extension of the free float of Financière Gaillon 8 and refinancing of the group's debt.

Table 2 AMF Definitions

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

Nordine Hachemi Chairman and Chief Executive Officer	Fiscal year ended November 30, 2017		Fiscal year ended November 30, 2016	
	Amount due ⁽¹⁾	Amount paid	Amount due	Amount paid
Fixed compensation ⁽¹⁾	600,000	600,000	600,000	600,000
Annual variable compensation	810,000 ⁽⁴⁾	795,841 ⁽³⁾	795,841 ⁽³⁾	823,914 ⁽²⁾
Multi-year variable compensation	–	–	–	–
Exceptional compensation	–	–	–	–
Directors' fees	–	–	–	–
Benefits in kind	32,453	32,453	32,156	32,156
TOTAL	1,442,453	1,428,294	1,427,997	1,456,070

(1) The fixed compensation amount was approved by the Board of Directors on January 26, 2017.

(2) The variable compensation for fiscal year 2015 was approved by the Board of Directors on January 26, 2016 and paid in January 2016.

(3) The variable compensation for fiscal year 2016 was approved by the Board of Directors on January 26, 2017 and paid in January 2017.

(4) The variable compensation for fiscal year 2017 was approved by the Board of Directors on January 29, 2018 and paid in February 2018.

He is also entitled to a supplemental defined contribution pension plan since he joined the Company, pursuant to the provisions of Article 83 of the French General Tax Code. For 2017, the Company paid a total of €25,073 into the plan, 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, through RKCI, in which he owns 100% of the capital. In addition, Mr Hachemi holds nearly 25% of the capital of Artimus Participations, which itself owns 10.43% of Kaufman & Broad SA. Nordine Hachemi directly and indirectly owns 2.7% of the capital of Kaufman & Broad SA.

Table 4 AMF Definitions

Stock warrants or stock options awarded by the issuer or by any group company to each executive corporate officer during the fiscal year ended November 30, 2017

Name of executive corporate officer	No. and date of plan	Type of options (stock purchase or subscription)	Valuation of the options under the method used for the Consolidated Financial Statements	Number of options awarded during the fiscal year	Exercise price
Nordine Hachemi	–	–	–	None	–

Table 5 AMF Definitions

Stock warrants or stock options exercised during the fiscal year ended November 30, 2017 by each executive corporate officer

Options exercised during the fiscal year by each executive corporate officer	No. and date of plan	Number of options exercised during the fiscal year	Exercise price
Nordine Hachemi	–	None	–

Table 6 AMF Definitions

Bonus shares awarded to each corporate officer

Bonus shares awarded during the fiscal year to each corporate officer by the issuer and by all group companies (listed by name)	No. and date of plan	Number of shares awarded during the fiscal year ^(a)	Share price on award date	Valuation of the shares under the method used for the Consolidated Financial Statements	Date of vesting	Date available
Nordine Hachemi		20,000	€37.75			
2017 Plan (1 st Plan)	5/11/2017	15,846		403,914	5/11/2019	5/11/2021
2017 Plan (2 nd Plan)	5/11/2017	4,154		105,885	5/11/2019	5/11/2021

(a) In 2017, the Board of Directors awarded 20,000 shares to Nordine Hachemi on the following performance conditions:

- 1) achievement of at least 95% of attributable net income in the 2017 Plan (€53,498,000);
- 2) compliance with the budget determined by the Company for the 2017 fiscal year, resulting in the payment of 100% of the bonus calculated according to all the qualitative and quantitative criteria determined for the 2017 fiscal year. The quantitative criteria reflect short-term performance in indicators such as revenues, EBITDA, attributable net income and the WCR, as well as future performance, such as the number of housing units ordered and the number of lots of the Commitment Committees.

The performance condition set by the Board was 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 May 11, 2017, i.e., at May 11, 2019.

Table 7 AMF Definitions

Bonus shares vested during fiscal year 2017 for each executive corporate officer

Bonus shares vested for executive corporate officers (listed by name)	Date of plan	Number of shares that became exercisable during the fiscal year	Conditions of vesting
Nordine Hachemi	7/7/2015	15,000	(a)
	4/15/2016	20,000	(b)
	4/15/2016	66,025	(b)

(a) In 2015, the Board of Directors awarded 15,000 shares to Nordine Hachemi on the following performance conditions:

1. The first performance condition concerns the control of operating expenses. The Committee set an amount, at constant scope, of operating expenses, excluding estimated expenses, which cannot be exceeded in 2016. This amount is set for the group's current structure, and would be reviewed, or recalculated in the event of change in the scope of the Company.
2. The second performance condition concerned the development of the Company. This development was to be assessed, first with respect to housing unit orders, both in number and value, recorded in 2016, and secondly with respect to the increase in the development of the Commercial property business.

Both 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 July 7, 2015, i.e., at July 7, 2017.

(b) In 2016, the Board of Directors awarded 86,025 shares to Nordine Hachemi on the following performance conditions:

1. 20,000 shares under the Ordinary Plan, subject to compliance with a series of quantity and quality performance criteria with an impact on the group's business activities over the short term (budget year) and over the medium term as defined by the Company for fiscal year 2016;
2. 66,025 shares under the extraordinary plan, subject to performance conditions related primarily to the success of the extension of the free float of Financière Gaillon 8 and refinancing of the group's debt.

Both performance conditions set by the Board were met. The shares were definitively awarded in April 2017.

Nordine Hachemi tendered all his bonus shares from the 2014 and 2016 bonus share plans to Artimus Participations, a company owned by certain group executives and employees and chaired by Nordine Hachemi, Chairman and Chief Executive Officer of Kaufman & Broad SA (who also held around 25% of the share capital and voting rights of Artimus Participations).

Table 11 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 Chairman and Chief Executive Officer	No	Yes ⁽¹⁾	Yes ⁽²⁾	Yes ⁽³⁾

(1) 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 €25,073 for fiscal year 2017, corresponding to the annual contributions capped at 8% of gross salary, up to a maximum of eight times the Social Security ceiling.

(2) Compensation for loss of office is equal to 12 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.

(3) Non-compete clause for 12 months, covering the territory of France, generating a gross flat monthly compensation equivalent to 50% of the average monthly gross fixed compensation that he received during the 12 months preceding the termination of his term of office (or length of the term, if it is less than 12 months) with the Company nevertheless having the option to reduce the term or to exempt the executive officer of this commitment.

The history of the awards of bonus shares is set out in Section 3.3.3.3.2. "Bonus share plans". On June 25, 2013, the Board of Directors elected Nordine Hachemi as director and Deputy Chairman of the Board of Directors as from July 1, 2013. 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, 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.

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 a gross lump-sum monthly compensation equivalent to 50% of the average monthly fixed gross compensation he received during the 12 months preceding the termination of his mandate (or during the duration of the mandate, if this is shorter) the Company, however, will have the option to reduce this term or release the executive from this commitment.

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 27, 2017, the Chairman's fixed annual compensation was maintained at €600,000 gross for fiscal year 2017; in addition, it comprises variable compensation tied to Kaufman & Broad SA's business targets. The amount of this variable compensation for fiscal year 2017, 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, management of operating expenses, return on capital employed, and implementation of tools to monitor and raise awareness among the executive management teams).

Pursuant to Article L. 225-42-1 of the French Commercial Code, the provisions relating to the commitments made for 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.

The achievement of these qualitative targets was assessed by the Compensation and Nominating Committee at the end of the fiscal year, on January 29, 2018.

After calculation and assessment of the achievement of the targets set for fiscal year 2017, the Board of Directors at its meeting of January 29, 2018 and on the recommendation of the Compensation and Nominating Committee meeting of January 29, 2018, set the amount of the variable compensation payable to the Chairman in February 2018 at €810,000 gross.

At the meeting of the Board of January 29, 2018, the fixed annual compensation of Nordine Hachemi was maintained at €600,000 gross for fiscal year 2018. 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 2018. The 70% portion of the variable compensation amount will be calculated on the basis of the following quantitative items, each of which is weighted: revenues, EBITDA, attributable net income, WCR, annual housing unit orders, number of Commitment Committees lots for fiscal year 2018; and 30% of this amount, on the following qualitative elements: management of group teams, return on capital employed, control of operating expenses (including personnel expenses). Furthermore, it will be proposed to the Shareholders' Meeting to be held on May 3, 2018 to authorize the Board of Directors to allocate a maximum of 250,000 shares, for a two-year period, including a maximum of 50,000 shares (i.e., 20% of the total amount) to Nordine Hachemi. The award will be subject to performance conditions mentioned above.

In addition, on March 7, 2018 the Board of Directors decided that, subject to adoption by the Shareholders' Meeting to be held on May 3, 2018 of the aforementioned resolution and to compliance with the aforementioned performance conditions, the bonus shares awarded to executive corporate officers may not exceed 20,000 bonus shares for 2018.

To receive this variable compensation, Nordine Hachemi must remain in office without interruption until the payment of this variable compensation as a one-time payment in January 2019. If he leaves the Kaufman & Broad SA group or if, for any reason, his office is terminated before such date, he will not receive any portion of this variable compensation.

3.2.1.3. Compensation paid to members of the Executive Committee

Group governance changed in 2016. It consists of the two following bodies:

- the Executive Committee defines the group's strategy and oversees its deployment. It adopts the guidelines and main decisions concerning the life of the group. It prepares the targets of the Annual Plan by activity. Finally, it defines the cross-departmental policies and sees that they are implemented. It consists of the Chairman and CEO, the Activity Vice-Presidents, the Chief Financial Officer and the Senior Vice-President Human Resources;
- the Management Committee monitors the implementation of the Plan by business activity. It proposes improvement initiatives and sets the objectives to be deployed in the agencies and divisions. It contributes to the definition and implementation of the group's projects. It is composed of the Executive Committee and Regional Senior Vice-Presidents and Corporate Directors.

Consequently, the related management body is the Executive Committee. Executive Committee members receive fixed and variable compensation. Total gross compensation and benefits received by members of the Executive Committee (excluding Kaufman & Broad

SA's corporate officers) came to €2,326,457 for the fiscal year ended November 30, 2017, representing €1,143,757 in fixed salaries and €1,182,700 in variable compensation. Executive 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 Executive Committee, the amount provisioned was €608,286 in the financial statements for fiscal year 2017. Moreover, Executive 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, 2017, Executive Committee members held 9,736 bonus shares awarded on November 6, 2007, 2,800 bonus shares awarded on December 3, 2007, 51,125 bonus shares awarded on February 13 and July 8, 2009, 16,000 bonus shares awarded on January 20, 2010, 14,000 bonus shares awarded on February 17, 2011, 1,000 awarded on January 20, 2012, 6,500 shares awarded on January 22, 2013 and 13,200 awarded on April 11, 2014, and these shares were definitively awarded two years after they were awarded. They were awarded 13,200 bonus shares on July 8, 2015. The shares were definitively awarded two years later. 84,072 bonus shares were awarded on April 15, 2016

and definitively awarded a year later. They were awarded 16,750 bonus shares on May 11, 2017. The definitive award of the shares to the senior executives is subject to achievement of the attributable net income target in the 2017 Plan (a tolerance margin of 5% is permitted). The performance condition set by the Board was met. The definitive award of shares is now therefore only subject to the condition of working for the Company, as defined in the share award rules approved by the Board of Directors on May 11, 2017, i.e., at May 11, 2019.

The minimum holding period for the shares is set at two years from the definitive award 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 Executive 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 stock option and bonus share plans were authorized by the Shareholders' Meeting and the awards to the beneficiaries were decided by the Board of Directors of Kaufman & Broad SA. Finally, the shares delivered were taken from the Company's treasury shares.

3.2.2. Total number of stock options awarded by the group

See Section 3.3.3. "Stock option or stock warrant plans – Awards of bonus shares – Awards of stock warrants".

Details concerning the exercise of stock options are presented in Section 5.2.3.2. "Summary of share purchases and sales" and the following sections.

3.2.3. Information on the exercise of stock options during the fiscal year

See Section 3.3.3. "Stock option or stock warrant plans – Awards of bonus shares – Awards of stock warrants".

3.2.4. Information on transactions concluded 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 4.1.5 "Notes to the Financial Statements", Note 4.4 "Executive Compensation (related parties)", Note 30 "Related party transactions" and 9.3.3. "Special report of the Statutory Auditors on regulated agreements and commitments".

3.2.7. Components of the compensation due or awarded for the fiscal year ended November 30, 2017 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 to which the Company refers 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 May 3, 2018 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, 2017.

Compensation components due or awarded to Nordine Hachemi, Chairman and Chief Executive Officer for the fiscal year ended November 30, 2017, subject to the vote of the shareholders

Compensation components	Amounts	Comments
Fixed compensation	€600,000	–
Variable compensation	€810,000	Amount approved by the Board of Directors on January 29, 2018
Multi-year variable compensation	–	–
Directors' fees	None	–
Exceptional compensation	None	–
Stock options or stock warrants or bonus shares	€509,799	20,000 bonus shares awarded by the Board of Directors and subject to performance conditions. Conditions met for fiscal year 2017 ⁽¹⁾
o/w 2017 Pl ^{en} (1st Plan)	€403,914	15,846 bonus shares
o/w 2017 Pl ^a (2nd Plan)	€105,885	4,154 bonus shares
Pay related to entering or leaving office	None	–
Supplemental retirement plan	€25,073	Annual contributions capped at 8% of gross salary up to a maximum of eight times the maximum Social Security contribution
Any type of benefits	€32,453	Unemployment insurance

1) Subject to compliance with a series of quantity and quality performance criteria with an impact on the group's business activities over the short term (budget year) and over the medium term as defined by the Company for fiscal year 2017.

The principles and criteria for determining and dividing up the compensation of the corporate officers, and the elements that make up this compensation and their calculation, are described in Section 9.5. "Report on the principles and criteria for determining, dividing up and

allocating the fixed, variable and extraordinary components of the total compensation and benefits of any kind attributable to executive corporate officers".

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. Plan d'Épargne Groupe, Group Employee Savings Plan

As part of the IPO in February 2000, a Company savings plan was set up and subsequently amended in February 2001, March 2002, July 2003, September and December 2006, December 2007, December 2008, December 2009 and December 2014. By supplementary agreement of July 2017, this savings plan was expanded to all employees of the group's subsidiaries and became a group savings plan. The savings collected under this plan are invested in the Kaufman & Broad Actionnariat FCPE (company mutual fund) and in the KB Actions FCPE, which was created in 2017.

The assets of the Kaufman & Broad Actionnariat FCPE, which consist primarily of shares of the Company or, at the choice of the employees, in "Capi euro Monétaire", a mutual fund classified on the basis of its investment in the money markets, or "Capi Équilibre" a mutual fund classified on the basis of its investment as diversified, or "Flexi Taux court 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.

On September 21, 2017, Kaufman & Broad SA announced the launch of its "KB Actions 2017" leveraged share ownership offer with investment guarantee, reserved for employees of the group subscribing to the savings plan. On November 30, 2017, Kaufman & Broad SA recorded an increase in its capital resulting from subscriptions to the KB Actions 2017 offer.

The offer was very successful with a membership rate of 65.4% for eligible employees. A total of 236,496 shares were thus subscribed through the KB Actions 2017 FCPE for an amount of €7,357,390.56.

The 236,496 new shares issued as part of the offer are common stock fully comparable to the existing shares and with immediate dividend rights.

3.3.3. Stock option or stock warrant plans – Awards of bonus shares – Awards of stock 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 or stock warrant plans

No stock purchase or stock warrant plan is in force within the group.

3.3.3.2. Bonus share plans

3.3.3.2.1. 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 awarded may not exceed 200,000 shares, while the number of shares awarded to executive corporate officers may not exceed 50,000 shares;
- the shares will be definitively awarded 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 the time of their definitive award 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 options 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 definitive award of the shares to the beneficiaries who are corporate officers will be contingent on meeting the performance conditions as defined by the Board of Directors;
- the shares will be definitively awarded to the beneficiaries who are employees contingent on meeting the performance conditions as defined by the Board of Directors;

- if new shares are issued, the shareholders formally waive their preemptive subscription rights;
- the authority granted to the Board of Directors is valid for a period of thirty-eight months.

The Shareholders' Meeting granted all powers to the Board of Directors, in compliance with 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 the award of the bonus shares, to approve the list(s) of beneficiaries;
- to determine the holding period for the shares, subject to the minimum periods indicated, given that, in respect of any shares that may be awarded to the executive corporate officers referred to in Article L. 225-197-1, II par. 4 of the French Commercial Code, the Board of Directors are responsible either for deciding that these shares may not be sold by the parties concerned until they leave office, or for determining the number of these shares that they will be required to hold in registered form until they leave office;
- decide whether, in the event of transactions on the share capital that may occur during the vesting period of the shares awarded, there are grounds for adjusting the number of shares awarded in order to preserve the rights of beneficiaries and, if so, to determine the terms for such adjustment;
- increase the capital, if the award relates to new shares, through capitalization of the Company's reserves or issue premiums if required at the time when the shares are definitively awarded to beneficiaries, to set the date on which the new shares will be entitled to dividends, and to amend the bylaws accordingly;
- to carry out all formalities and, generally, to take all necessary and appropriate measures in connection therewith.

Using this delegation, the Board of Directors of the Company awarded to the group's corporate officers and employees who are non-corporate officers 70,200 existing shares on April 11, 2014, representing 0.34% of the share capital and 124,350 existing shares on July 7, 2015, representing 0.60% of the share capital.

Refer to Section 3.3.3.3.2. "Bonus share plans" for the summary table related to the bonus share plan.

3.3.3.2.2. 2015 bonus share plan

The Company's Shareholders' Meeting of April 16, 2015 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 awarded may not exceed 300,000 shares, while the number of shares awarded to executive corporate officers may not exceed 50,000 shares;
- the shares will be definitively awarded 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 the time of their definitive award 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 options 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 definitive award of the shares to the beneficiaries who are corporate officers will be contingent on meeting the performance conditions as defined by the Board of Directors;
- the shares will be definitively awarded to the beneficiaries who are employees contingent on meeting the performance conditions as defined by the Board of Directors;
- if new shares are issued, the shareholders formally waive their preemptive subscription rights;
- the authority granted to the Board of Directors is valid for a period of thirty-eight months.

The Shareholders' Meeting granted all powers to the Board of Directors, in compliance with 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 the award of the bonus shares, to approve the list(s) of beneficiaries;
- to determine the holding period for the shares, subject to the minimum period indicated, given that, in respect of any shares that may be awarded to the executive corporate officers referred to in Article L. 225-197-1, II par. 4 of the French Commercial Code, the Board of Directors are responsible either for deciding that these shares may not be sold by the parties concerned until they leave office, or for determining the number of these shares that they will be required to hold in registered form until they leave office;
- decide whether, in the event of transactions on the share capital that may occur during the vesting period of the shares awarded, there are grounds for adjusting the number of shares awarded in order to preserve the rights of beneficiaries and, if so, to determine the terms for such adjustment;
- increase the capital, if the award relates to new shares, through capitalization of the Company's reserves or issue premiums if required at the time when the shares are definitively awarded to beneficiaries, to set the date on which the new shares will be entitled to dividends, and to amend the bylaws accordingly;
- to carry out all formalities and, generally, to take all necessary and appropriate measures in connection therewith.

This authority has not been used.

3.3.3.2.3. 2016 bonus share plan

The Company's Shareholders' Meeting of April 15, 2016 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 awarded may not exceed 400,000 shares, while the number of shares awarded to executive corporate officers may not exceed 100,000 shares;
- the shares will be definitively awarded to their beneficiaries either (i) at the end of a minimum one-year vesting period, after the beneficiaries have held said shares for a minimum of two years from the time of their definitive award or (ii) at the end of a minimum vesting period of three years, and in this case with no minimum holding period. The Board of Directors shall have the option of choosing between the above two options 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 definitive award of the shares to the beneficiaries who are corporate officers will be contingent on meeting the performance conditions as defined by the Board of Directors;
- the shares will be definitively awarded to the beneficiaries who are employees contingent on meeting the performance conditions as defined by the Board of Directors;
- if new shares are issued, the shareholders formally waive their preemptive subscription rights;
- the authority granted to the Board of Directors is valid for a period of thirty-eight months.

The Shareholders' Meeting granted all powers to the Board of Directors, in compliance with 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 the award of the bonus shares, to approve the list(s) of beneficiaries;
- to determine the holding period for the shares, subject to the minimum period indicated, given that, in respect of any shares that may be awarded to the executive corporate officers referred to in Article L. 225-197-1, II par. 4 of the French Commercial Code, the Board of Directors are responsible either for deciding that these shares may not be sold by the parties concerned until they leave office, or for determining the number of these shares that they will be required to hold in registered form until they leave office;
- decide whether, in the event of transactions on the share capital that may occur during the vesting period of the shares awarded, there are grounds for adjusting the number of shares awarded in order to preserve the rights of beneficiaries and, if so, to determine the terms for such adjustment;
- increase the capital, if the award relates to new shares, through capitalization of the Company's reserves or issue premiums if required at the time when the shares are definitively awarded to beneficiaries, to set the date on which the new shares will be entitled to dividends, and to amend the bylaws accordingly;
- to carry out all formalities and, generally, to take all necessary and appropriate measures in connection therewith.

Using this delegation, the Board of Directors of the Company awarded to the corporate officer and employees of the group who are not corporate officers 387,592 existing shares on April 15, 2016, of which 11,393 have

lapsed, representing 1.86% of the share capital of the Company, and awarded to the corporate officer and employees of the group who are not corporate officers 23,801 existing shares on May 11, 2017, representing 0.11% of the Company's share capital.

Refer to Section 3.3.3.3.2. "Bonus share plans" for the summary table related to the bonus share plan.

3.3.3.2.4. 2017 bonus share plan

The Company's Shareholders' Meeting of May 11, 2017 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 awarded may not exceed 250,000 shares, while the number of shares awarded to executive corporate officers may not exceed 50,000 shares, including 20,000 shares in 2017;
- the shares will be definitively awarded to their beneficiaries either (i) at the end of a minimum one-year vesting period, after the beneficiaries have held said shares for a minimum of two years from the time of their definitive award or (ii) at the end of a minimum vesting period of three years, and in this case with no minimum holding period. The Board of Directors shall have the option of choosing between the above two options 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 definitive award of the shares to the beneficiaries who are corporate officers will be contingent on meeting the performance conditions as defined by the Board of Directors;
- the shares will be definitively awarded to the beneficiaries who are employees contingent on meeting the performance conditions as defined by the Board of Directors;
- if new shares are issued, the shareholders formally waive their preemptive subscription rights;
- the authority granted to the Board of Directors is valid for a period of thirty-eight months.

The Shareholders' Meeting granted all powers to the Board of Directors, in compliance with 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 the award of the bonus shares, to approve the list(s) of beneficiaries;
- to determine the holding period for the shares, subject to the minimum periods indicated, given that, in respect of any shares that may be awarded to the executive corporate officers referred to in Article L. 225-197-1, II par. 4 of the French Commercial Code, the Board of Directors are responsible either for deciding that these shares may not be sold by the parties concerned until they leave office, or for determining the number of these shares that they will be required to hold in registered form until they leave office;

- decide whether, in the event of transactions on the share capital that may occur during the vesting period of the shares awarded, there are grounds for adjusting the number of shares awarded in order to preserve the rights of beneficiaries and, if so, to determine the terms for such adjustment;
- increase the capital, if the award relates to new shares, through capitalization of the Company's reserves or issue premiums if required at the time when the shares are definitively awarded to beneficiaries, to set the dates on which the new shares will be entitled to dividends, and to amend the bylaws accordingly;
- to carry out all formalities and, generally, to take all necessary and appropriate measures in connection therewith.

Using this delegation, the Company's Board of Directors awarded, to the corporate officer and employees of the group who are not corporate officers 90,788 existing shares on May 11, 2017 representing 0.43% of the Company's share capital.

Refer to Section 3.3.3.3.2. "Bonus share plans" for the summary table related to the bonus share plan.

3.3.3.3. Summary tables

3.3.3.3.1. Stock option or stock subscription plans

Table 8 AMF Definitions

STOCK PURCHASE OR SUBSCRIPTION PLAN HISTORY

None.

There were no plans under way as of November 30, 2017.

3.3.3.3.2. Bonus share plans

2014 bonus share plan

2014 Plan

Date of the Extraordinary Shareholders' Meeting authorizing the share award plan	April 11, 2014
Number of shares available for award	200,000
Tranche 1 – Date of the Board of Directors' meeting awarding the shares	April 11, 2014
Number of beneficiaries	741
Number of bonus shares awarded on April 11, 2014	70,200
Vesting period, share transfer date	April 12, 2016
Lock-in period	Two years
End of lock-in period	April 12, 2018
<i>o/w number of shares awarded to corporate officers</i>	12,000
<i>o/w number of shares definitively awarded</i>	60,230
<i>o/w number of shares lapsed ⁽¹⁾</i>	9,970
Tranche 2 – Date of the Board of Directors' meeting awarding the shares	July 7, 2015
Number of beneficiaries	662
Number of bonus shares awarded on July 7, 2015	124,350
Vesting period, share transfer date	July 8, 2017
Lock-in period	Two years
End of lock-in period	July 8, 2019
<i>o/w number of shares awarded to corporate officers</i>	15,000
<i>o/w number of shares definitively awarded</i>	105,100
<i>o/w number of shares lapsed ⁽¹⁾</i>	19,250

(1) At the date of this document, the number was unchanged compared with November 30, 2017.

2016 bonus share plan

2016 Plan

Date of the Extraordinary Shareholders' Meeting authorizing the share award plan	April 15, 2016
Number of shares available for award	400,000
Tranche 1 – Date of the Board of Directors' meeting awarding the shares	April 15, 2016
Number of beneficiaries	737
Number of bonus shares awarded on April 15, 2016	387,592
Vesting period, share transfer date	April 15, 2017
Lock-in period	Two years
End of lock-in period	April 15, 2019
o/w number of shares awarded to corporate officers	86,025
o/w Ordinary Plan	20,000
o/w Extraordinary Plan	66,025
o/w number of shares definitively awarded	376,199
o/w number of shares lapsed ⁽¹⁾	11,393

(1) At the date of this document, the number was unchanged compared with November 30, 2017.

2017 bonus share plans

2017 Plan (1st Plan)

Date of the Extraordinary Shareholders' Meeting authorizing the share award plan	May 11, 2017
Number of shares available for award	250,000
Tranche 1 – Date of the Board of Directors' meeting awarding the shares	May 11, 2017
Number of beneficiaries	814
Number of bonus shares awarded on May 11, 2017	90,788
Vesting period, share transfer date	May 11, 2019
Lock-in period	Two years
End of lock-in period	May 11, 2021
o/w number of shares awarded to corporate officers ⁽²⁾	15,846
o/w number of shares definitively awarded	–
o/w number of shares lapsed ⁽¹⁾	3,185

(1) At the date of this document there were 3,185 shares lapsed as at November 30, 2017.

(2) Subject to compliance with a series of quantity and quality performance criteria with an impact on the group's business activities over the short term (budget year) and over the medium term as defined by the Company for fiscal year 2017.

2017 bonus share plans

2017 Plan (2nd Plan)

Date of the Extraordinary Shareholders' Meeting authorizing the share award plan	April 15, 2016
Number of shares available for award	400,000
Tranche 1 – Date of the Board of Directors' meeting awarding the shares	May 11, 2017
Number of beneficiaries	814
Number of bonus shares awarded on May 11, 2017	23,801
Vesting period, share transfer date	May 11, 2019
Lock-in period	Two years
End of lock-in period	May 11, 2021
<i>o/w number of shares awarded to corporate officers ⁽²⁾</i>	<i>4,154</i>
<i>o/w number of shares definitively awarded</i>	<i>–</i>
<i>o/w number of shares lapsed ⁽¹⁾</i>	<i>766</i>

(1) At the date of this document, 766 shares had lapsed as at November 30, 2017.

(2) Subject to compliance with a series of quantity and quality performance criteria with an impact on the group's business activities over the short term (budget year) and over the medium term as defined by the Company for fiscal year 2017.

3.3.4. 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.

As of November 30, 2017, only 121,874 stock subscription warrants remained exercisable for a price of €70 per share. They lapsed on December 3, 2017.



ASSETS, FINANCIAL STATEMENT AND RESULTS AT NOVEMBER 30, 2017

4

4.1. Consolidated Financial Statements at November 30, 2017	154	4.3. Subsidiaries and equity affiliates	208
4.1.1. Statement of consolidated comprehensive income	154	4.4. Five-year financial summary	210
4.1.2. Statement of consolidated financial position	156		
4.1.3. Statement of cash flows	157		
4.1.4. Statement of change in consolidated shareholders' equity	158		
4.1.5. Notes to the financial statements	159		
4.2. Statutory Financial Statements at November 30, 2017	194		
Annual financial statements at November 30, 2017	194		
Balance Sheet	194		
4.2.1. General principles	195		
4.2.2. Analysis of the financial statements	196		
4.2.3. Tax consolidation and future tax position	207		
4.2.4. Related party transactions	207		
4.2.5. Post-closing events	207		
4.2.6. Consolidation	207		
4.2.7. Other	207		

4.1. Consolidated Financial Statements at November 30, 2017

4.1.1. Statement of consolidated comprehensive income

Consolidated income statement

<i>(in € thousands)</i>	Note	November 30, 2017	November 30, 2016
Revenues	3.2	1,390,798	1,238,002
Cost of sales		(1,121,666)	(1,002,397)
GROSS MARGIN	3.2	269,132	235,605
Selling expenses	3.3	(37,655)	(34,891)
Administrative expenses	3.3	(64,340)	(58,214)
Technical and customer service expenses	3.3	(20,582)	(19,477)
Development and program expenses	3.3	(28,599)	(21,765)
OPERATING INCOME		117,956	101,258
Financial expenses		(6,287)	(3,506)
Financial income		508	303
COST OF NET FINANCIAL DEBT	6.3	(5,779)	(3,203)
PRE-TAX INCOME OF CONSOLIDATED COMPANIES		112,177	98,055
Income tax	9	(28,430)	(30,365)
NET INCOME OF CONSOLIDATED COMPANIES		83,747	67,690
Share of income (loss) of equity affiliates and joint ventures		1,120	(211)
INCOME (LOSS) OF THE CONSOLIDATED GROUP		84,867	67,479
Minority interest income (loss)	7.1.5	25,749	21,445
Attributable net income		59,118	46,034
Average number of shares	7.2	19,938,096	19,621,425
BASIC EARNINGS PER SHARE	7.2	€2.97	€2.35
DILUTED EARNINGS PER SHARE	7.2	€2.97	€2.35

Consolidated comprehensive net income

<i>(in € thousands)</i>	November 30, 2017	November 30, 2016
INCOME (LOSS) OF THE CONSOLIDATED GROUP	84,867	67,479
Change in the gross value of derivative instruments	535	508
Tax impact on derivative instruments	(213)	(175)
TOTAL GAINS AND LOSSES RECOGNIZED DIRECTLY THROUGH EQUITY THAT WILL BE RECLASSIFIED SUBSEQUENTLY TO PROFIT AND LOSS	322	333
Change in actuarial gains and losses	583	(1,209)
Tax effect on actuarial gains and losses	(201)	416
TOTAL GAINS AND LOSSES RECOGNIZED DIRECTLY THROUGH EQUITY THAT WILL NOT BE RECLASSIFIED SUBSEQUENTLY TO PROFIT AND LOSS	382	(793)
CONSOLIDATED COMPREHENSIVE NET INCOME	85,571	67,019
Attributable	59,822	45,574
Minority interests	25,749	21,445

4.1.2. Statement of consolidated financial position

Assets

<i>(in € thousands)</i>	Note	November 30, 2017	November 30, 2016
Goodwill	5.1	68,661	68,661
Other intangible assets	5.2	89,442	87,570
Property, plant and equipment	5.3	7,699	7,449
Equity affiliates and joint ventures	2.1.2	14,815	5,634
Other non-current financial assets	6.1.1	2,311	2,504
Deferred tax assets	9	4,227	
NON-CURRENT ASSETS		187,155	171,818
Inventory / new projects	3.4	44,241	25,857
Inventory / current programs	3.4	340,641	345,524
Accounts receivable	3.5	340,142	375,669
Other receivables	3.5	191,192	158,540
Current tax	9	7,776	1,232
Cash and cash equivalents	6.1.3	221,065	118,108
Prepaid expenses	3.5	1,079	1,345
CURRENT ASSETS		1,146,136	1,026,275
TOTAL ASSETS		1,333,291	1,198,093

Equity and liabilities

<i>(in € thousands)</i>	Note	November 30, 2017	November 30, 2016
Authorized capital		5,479	5,418
Consolidated retained earnings		215,008	188,396
Other reserves		(14,196)	(9,658)
Treasury shares		(9,022)	(53,585)
ATTRIBUTABLE SHAREHOLDERS' EQUITY		197,268	130,571
Minority interests	7.1.5	18,174	15,196
SHAREHOLDERS' EQUITY		215,442	145,767
Non-current provisions for retirement benefits	4.2	6,406	6,929
Non-current provisions for liabilities and charges	8.1	18,546	16,300
Borrowings and other non-current financial liabilities	6.1.2	249,615	191,362
Deferred taxes	9	60,105	45,471
NON-CURRENT LIABILITIES		334,672	260,062
Current provisions for liabilities and charges	8.1	1,191	1,499
Borrowings and other current financial liabilities	6.1.2	4,541	11,840
Accounts payable	6.1.1	652,012	675,146
Other payables	6.1.1	125,178	97,382
Current tax	9	0	5,858
Deferred income	6.1.1	255	539
CURRENT LIABILITIES		783,177	792,264
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		1,333,291	1,198,093

4.1.3. Statement of cash flows

(in € thousands)	Note	November 30, 2017	November 30, 2016
Consolidated net income		84,867	67,479
Share of income (loss) of equity affiliates and joint ventures		(1,120)	211
Estimated income and expenses		20,067	19,950
CASH FLOW AFTER COST OF FINANCIAL DEBT AND TAXES		103,814	87,640
Cost of net financial debt	6.1.3	5,779	3,203
Tax liability (income)	9	28,429	30,365
CASH FLOW BEFORE COST OF FINANCIAL DEBT AND TAXES		138,022	121,208
Tax (paid)/received		(25,816)	(27,135)
Change in Operating Working Capital Requirement	3.6	(5,343)	(15,483)
CASH FLOW FROM OPERATING ACTIVITIES (A)		106,863	78,590
Investment activities			
Acquisition of tangible and intangible assets (net of disposals)	5	(5,762)	(6,384)
Net change in other financial assets		198	(813)
Cash flow with equity affiliates and joint ventures	2.1.2	(8,168)	(41)
Acquisitions of equity interests	2.2	(27)	(18,286)
Disposals of equity interests	2.2		
CASH FLOW FROM INVESTING ACTIVITIES (B)		(13,759)	(25,524)
FREE CASH FLOW ⁽¹⁾		93,104	53,066
Financing activities			
Distributions to minority interests	7.1.5	(23,354)	(18,673)
Buyback of minority interests	7.1.5	(2,277)	(1,754)
Buyback of treasury shares, net of re-sales	7.1.4	976	(51,367)
Capital increase	7.1.1	7,357	
New loans taken out	6.1.2	150,000	200,000
Loan repayments	6.1.2	(101,933)	(142,784)
Distributions to shareholders	7.1.3	(7,532)	(79,626)
Net financial interest paid		(13,385)	(10,115)
CASH FLOW FROM FINANCING ACTIVITIES (C)		9,852	(104,319)
INCREASE (DECREASE) IN CASH (A + B + C)		102,956	(51,253)
Cash at beginning of the period		118,108	169,361
Cash at end of the period		221,065	118,108
INCREASE (DECREASE) IN CASH		102,956	(51,253)
Cash and cash equivalents	6.1.3	221,065	118,108
Credit facilities		(1,757)	(552)
Interest accrued on cash and cash equivalents		1,757	552
CASH AT END OF THE PERIOD		221,065	118,108

(1) Free cash flow is equal to cash flow from operations, less the net operating investments made during the period.

4.1.4. Statement of change in consolidated shareholders' equity

<i>(in € thousands)</i>	Number of shares	Authorized capital	Consolidated retained earnings	Other reserves	Treasury shares	Attributable shareholders' equity	Minority interests	Total shareholders' equity
NOVEMBER 30, 2015	21,584,658	5,612	237,624	(13,608)	(16,778)	212,850	11,068	223,917
Gains and losses recognized directly in equity				(460)		(460)		(460)
Net income at November 30, 2016			46,035			46,035	21,445	67,480
CONSOLIDATED COMPREHENSIVE NET INCOME	0	0	46,035	(460)	0	45,575	21,445	67,020
Distributions			(79,626)			(79,626)	(18,673)	(98,299)
Capital reduction	(747,619)	(194)	(13,789)		13,983	0		0
Treasury share transactions				(2,315)	(50,790)	(53,105)		(53,105)
Share-based payments				6,726		6,726		6,726
Other transactions			(317)			(317)	1,729	1,412
Buyback of minority interests			(1,531)			(1,531)	(373)	(1,904)
TOTAL TRANSACTIONS WITH SHAREHOLDERS	(747,619)	(194)	(95,263)	4,411	(36,807)	(127,854)	(17,317)	(145,171)
NOVEMBER 30, 2016	20,837,039	5,418	188,396	(9,657)	(53,585)	130,571	15,196	145,766
Gains and losses recognized directly in equity				704		704		704
Net income at November 30, 2017			59,118			59,118	25,749	84,867
CONSOLIDATED COMPREHENSIVE NET INCOME		0	59,118	704	0	59,822	25,749	85,571
Capital increase and distribution	947,136	246	(7,780)			(7,534)	(23,348)	(30,882)
Capital reduction	(947,136)	(246)	(29,919)		30,165	0		0
Capital increase	236,496	61	7,296			7,357		7,357
Treasury share transactions				(8,801)	14,398	5,597		5,597
Share-based payments				3,558		3,558		3,558
Other transactions			(861)			(861)	925	64
Buyback of minority interests			(1,242)			(1,242)	(348)	(1,590)
TOTAL TRANSACTIONS WITH SHAREHOLDERS	236,496	61	(32,506)	(5,243)	44,563	6,875	(22,771)	(15,895)
NOVEMBER 30, 2017	21,073,535	5,479	215,008	(14,196)	(9,022)	197,268	18,174	215,442

4.1.5. Notes to the financial statements

Note 1. Accounting principles

The consolidated financial statements at November 30, 2017 reflect the transactions of Kaufman & Broad SA and its subsidiaries (the "Kaufman & Broad group" or the "group"), a French company listed on Euronext Paris, Compartment B and headquartered in Neuilly-sur-Seine (127, avenue Charles-de-Gaulle, 92207 Neuilly-sur-Seine Cedex, France).

For close to 50 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, combined with its strong brand name, have made Kaufman & Broad one of France's leading property developers and builders.

On March 7, 2018, the Board of Directors approved the annual Consolidated Financial Statements at November 30, 2017 and the related notes.

Note 1.1. Basis of preparation

Pursuant to Regulation (EC) No. 1606/2002 of July 19, 2002, the Kaufman & Broad group prepared its consolidated financial statements as at November 30, 2017, in accordance with the standards and

interpretations published by the International Accounting Standards Board (IASB), as adopted by the European Union and rendered mandatory at the closing date of these financial statements.

These standards, available on the European Commission website⁽¹⁾, include the international accounting standards (IAS and IFRS) and the interpretations of IFRIC (the International Financial Reporting Interpretations Committee).

The accounting methods described below have been applied continuously to all the periods presented in the Consolidated Financial Statements, except for the new standards and interpretations described below.

The 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 immaterial.

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

Note 1.1.1. Guidelines applied

Standards, interpretations and amendments with mandatory application to the fiscal year beginning December 1, 2016

No new standard and interpretation whose application is mandatory for the fiscal year beginning December 1, 2016 had any material impact on the Kaufman & Broad group's financial statements.

These standards are as follows:

Standard	Date of application to periods beginning on or after
Annual improvements (cycle 2012-2014)	January 1, 2016
Amendments to IAS 16 and IAS 38 – "Clarification of Acceptable Methods of Depreciation and Amortization"	January 1, 2016
Amendments to IFRS 11 – "Acquisition of an Interest in a Joint Operation"	January 1, 2016
Amendment to IAS 1 – "Presentation of Financial Statements"	January 1, 2016

Standards and interpretations effective after the closing date

The standards, amendments to standards, and interpretations published by the IASB and presented below must be applied after November 30, 2017.

Standard	Date of application to periods beginning on or after
Amendments to IAS 12 "Recognition of Deferred Tax Assets on Unrealized Losses" ⁽¹⁾	January 1, 2017
Amendments to IAS 7 "Information on Changes in Liabilities Resulting from Finance Activities" ⁽¹⁾	January 1, 2017
IFRS 9 "Financial Instruments: Classifications, Measurements and Amendments" ⁽²⁾	January 1, 2018
IFRS 15 "Revenue from Contracts with Customers" ⁽²⁾	January 1, 2018
IFRS 16 "Leases" ⁽³⁾	January 1, 2019

(1) The Kaufman & Broad group will apply these standards on or after the fiscal year starting on December 1, 2017.

(2) The Kaufman & Broad group will apply these standards on or after the fiscal year starting on December 1, 2018.

(3) The Kaufman & Broad group will apply these standards by no later than the fiscal year starting on December 1, 2019, but is considering applying them early as of December 1, 2018.

(1) http://ec.europa.eu/internal_market/accounting/ias_en.htm.

The group is currently calculating the impact of IFRS 15 “Revenue recognition”, IFRS 16 “Leases”, and IFRS 9 “Financial Instruments”, which must be applied by January 1, 2018 or January 1, 2019, as applicable.

The application of IFRS 15 does not call into question the principle of revenue recognition and the margin booked on a percentage of completion basis for sale before completion property development business activities. With the sale-before-completion contract, lawmakers have given real estate developers the option to call for payment from customers in accordance with the percentage completion of programs, a payment schedule determined by law, while giving customers a Performance Bond. Given the methods for storing work-in-process, revenue recognition should be carried out according to the percentage of completion of all costs that can be carried in inventory (including land, which is what the Group currently does).

The application of IFRS 16 should impact the Group’s operating income, financial results, assets and net debt. Assets primarily concern the premises and equipment used by Kaufman & Broad’s employees.

Note 1.1.2. 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 valued precisely.

These estimates and assumptions are based on past experience, on the expected changes in the markets in which the group operates or on other factors considered reasonable given 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 (Notes 3.2 “Revenues and gross margin” and 3.5 “Trade and other receivables”);
- the business plans used to perform impairment tests on goodwill and other intangible assets (Notes 5.1 “Goodwill” and 5.2 “Other intangible assets”).

The sales price and take-up rate assumptions based on earnings forecasts for real estate developments, and the actual budget results for the medium-term provisional budgets used for such purposes, may be impacted by the economic environment and regulatory changes, particularly government tax incentives.

Note 2. Scope of consolidation

Note 2.1. Accounting principles related to the scope of consolidation

The consolidated financial statements include the financial statements of the parent company as well as those consolidated in accordance with the methods described below, of entities controlled by the parent (subsidiaries), of jointly controlled entities (joint ventures), as well as entities over whose management and financial policies the Group has significant influence (equity affiliates).

In accordance with the new IFRS 10, the subsidiaries are all controlled entities.

Control, whatever the level of interest held in an entity, results from the following three components: holding the power to direct the business activities (operational and financial activities); exposure or entitlement to the variable returns associated with the equity interest; and the ability to exercise this power in order to influence these returns. Only substantial rights, as conferred by shareholder agreements, which may be exercised when decisions on key business activities must be taken and which are not purely protective, are taken into account when determining power.

Note 2.1.1. Full Consolidation

The subsidiaries in which the Kaufman & Broad group exercises control are consolidated using the full consolidation method.

The accounts are fully consolidated, line item by line item.

Within the consolidated shareholders’ equity, the share of minority interests in the shareholders’ equity of the consolidated subsidiaries is presented as a separate line, as it is in the income statement and in the statement of comprehensive income.

Any change in Kaufman & Broad’s equity interest in a subsidiary that does not result in a loss of control is directly recognized in shareholders’ equity.

Note 2.1.2. Equity accounting of joint ventures and affiliates

The joint ventures are partnerships in which the Group and the other parties involved have joint control, agreed contractually, over the entity and have rights over the latter’s net assets.

Decisions concerning key business activities are subject to a unanimous vote of Kaufman & Broad and its joint venture partners.

The equity affiliates are entities over which the Group exercises significant influence: Kaufman & Broad is entitled to participate in financial and operating policy decisions, without however exercising joint control or control. Significant influence is assumed to exist when the Group holds, directly or indirectly, an equity interest of, or greater than, 20%.

Joint ventures and equity affiliates are recognized using the equity method.

This method consists in retaining in the consolidated accounts only the proportion of shareholders’ equity that corresponds to the percentage held by the Group.

If the Group’s share in the losses of an entity accounted for using the equity method exceeds its equity interest in the latter, then the Group’s share is reduced to zero. Additional losses are subject to a provision if the Group has a statutory or implied obligation in this regard.

The book value of 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.

Value of securities of equity affiliates and joint ventures

(in € thousands)	November 30, 2016	Distribution	Share of net income for the fiscal year	Change in scope effect and other	November 30, 2017
Investments in equity affiliates	1,100	(791)	615	(603)	321
Investments in joint ventures	(232)		18		(214)
TOTAL INVESTMENTS	868	(791)	633	(603)	107
Receivables with equity affiliates	5,291	410	9,007		14,708
Receivables with joint ventures	(525)			525	0
TOTAL CASH FLOW WITH EQUITY AFFILIATES AND JOINT VENTURES	4,766	410	9,007	525	14,708
EQUITY AFFILIATES AND JOINT VENTURES	5,634	(381)	9,640	(78)	14,815

Main components of the balance sheet and income statement of equity affiliates and joint ventures

(in € thousands)	November 30, 2017		November 30, 2016	
	Equity affiliates	Joint ventures	Equity affiliates	Joint ventures
Non-current assets	(13,450)	(265)	195	
Current assets	40,820	2,548	22,878	3,327
TOTAL ASSETS	27,370	2,283	23,073	3,327
Shareholders' equity	1,526	(429)	2,491	(463)
Non-current liabilities	1,033	0	0	
Current liabilities	24,811	2,712	20,582	3,690
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	27,370	2,283	23,073	3,227

(in € thousands)	November 30, 2017		November 30, 2016	
	Equity affiliates	Joint ventures	Equity affiliates	Joint ventures
Revenues	23,221	0	4,336	
Cost of sales	(18,590)	38	(3,764)	
GROSS MARGIN	4,631	38	572	0
Other income and expenses	(2,323)	(5)	(1,557)	(2)
Current operating income	2,308	34	(985)	(2)
NET INCOME	2,029	34	(1,167)	(2)

Note 2.1.3. Business combinations

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 the fair value determined on 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 their fair value.

This choice is made on a transaction-by-transaction basis.

In accordance with the provisions of the standard, the costs associated with business combinations are recognized as expenses for the period during which they were incurred.

Note 2.2. Changes to the scope of consolidation

Kaufman & Broad acquired an 80% controlling interest in Seri Ouest in June 2016. The remaining 20% of Seri Ouest shares were acquired on June 23, 2017. The final total price of this transaction amounted to €14 million.

There were no other significant acquisitions during the fiscal year.

Note 3. Operational data

Note 3.1. Segment information

In accordance with the provisions of IFRS 8 "Operating segments", the segment information presented corresponds to the internal reporting structure for the Group Management Committee, in order to assess

performance. The Management Committee represents the main operating decision-maker within the meaning of IFRS 8.

Note 3.1.1. Income by operating segment

Fiscal year ended November 30, 2017 (in € thousands)	Île-de-France	West	Southwest	Southeast
Revenues	430,062	165,516	342,888	174,747
GROSS MARGIN	84,155	30,748	60,038	30,779
Selling expenses	(13,191)	(4,213)	(5,938)	(4,623)
Administrative expenses	(8,094)	(6,333)	(8,127)	(4,809)
Technical and customer service expenses	(9,283)	(1,695)	(3,772)	(3,175)
Development and program expenses	(7,577)	(2,287)	(5,947)	(3,552)
Reallocation of portion of corporate re invoicing	(11,798)	(4,981)	(9,579)	(5,296)
OPERATING INCOME	34,212	11,239	26,675	9,324
Cost of net financial debt and other financial income/expenses	3,158	419	1,384	(507)
Reallocation of cost of net financial debt	(2,251)	(951)	(1,828)	(1,011)
PRE-TAX INCOME OF CONSOLIDATED COMPANIES	35,119	10,707	26,231	7,806
Income tax	(9,340)	(3,370)	(5,274)	(1,864)
Share of income (loss) of equity affiliates and joint ventures	630	(17)	31	0
INCOME (LOSS) OF THE CONSOLIDATED GROUP	26,409	7,320	20,988	5,942
Attributable	19,336	7,070	11,298	4,243
Minority interests	7,073	250	9,690	1,699

Fiscal year ended November 30, 2017 (in € thousands)	Rhône-Alpes	Commercial property and Logistics	Other Regions	Head Office	Grand total
Revenues	95,022	142,069	40,495		1,390,798
GROSS MARGIN	18,678	34,262	10,472		269,132
Selling expenses	(2,383)	(736)	(224)	(6,348)	(37,655)
Administrative expenses	(3,286)	(3,825)	(54)	(29,813)	(64,340)
Technical and customer service expenses	(1,704)	(400)		(554)	(20,582)
Development and program expenses	(1,747)	(6,192)	(77)	(1,220)	(28,599)
Reallocation of portion of corporate re invoicing	(3,152)	(2,568)	(561)	37,935	0
OPERATING INCOME	6,406	20,541	9,556	0	117,956
Cost of net financial debt and other expenses/interest expenses	715	(3,738)	28	(7,240)	(5,779)
Reallocation of cost of net financial debt	(602)	(490)	(107)	7,240	0
PRE-TAX INCOME OF CONSOLIDATED COMPANIES	6,519	16,313	9,477	0	112,177
Income tax	(2,264)	(5,459)	(859)	0	(28,430)
Share of income (loss) of equity affiliates and joint ventures	556	(79)	(1)		1,120
INCOME (LOSS) OF THE CONSOLIDATED GROUP	4,811	10,775	8,617	0	84,867
Attributable	4,726	10,733	1,708	0	59,118
Minority interests	85	42	6,909		25,749

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 number of 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, 2016

(in € thousands)

	Île-de-France	West	Southwest	Southeast
Revenues	441,476	108,800	277,305	185,286
GROSS MARGIN	84,515	19,904	52,268	30,614
Selling expenses	(12,162)	(2,632)	(5,214)	(4,977)
Administrative expenses	(8,012)	(4,931)	(8,543)	(5,314)
Technical and customer service expenses	(8,533)	(1,188)	(4,072)	(2,814)
Development and program expenses	(6,917)	(2,015)	(5,075)	(1,478)
Reallocation of portion of corporate reinvoicing	(12,432)	(2,990)	(9,732)	(5,439)
OPERATING INCOME	36,459	6,148	19,632	10,592
Cost of net financial debt and other financial income/expenses	3,419	314	(134)	(847)
Reallocation of cost of net financial debt	(1,284)	(309)	(1,005)	(562)
PRE-TAX INCOME OF CONSOLIDATED COMPANIES	38,594	6,153	18,493	9,183
Income tax	(12,845)	(2,224)	(4,184)	(3,570)
Share of income (loss) of equity affiliates and joint ventures	186	(116)	(2)	
INCOME (LOSS) OF THE CONSOLIDATED GROUP	25,935	3,813	14,307	5,613
<i>Attributable</i>	<i>20,427</i>	<i>3,260</i>	<i>4,806</i>	<i>5,033</i>
<i>Minority interests</i>	<i>5,508</i>	<i>553</i>	<i>9,501</i>	<i>580</i>

Fiscal year ended November 30, 2016

(in € thousands)

	Rhône-Alpes	Commercial property and Logistics	Other Regions	Head Office	Grand total
Revenues	72,812	132,327	19,996		(1,238,002)
GROSS MARGIN	14,519	28,554	5,231		235,605
Selling expenses	(2,388)	(322)	(196)	(6,999)	(34,891)
Administrative expenses	(3,280)	(2,096)	351	(26,387)	(58,214)
Technical and customer service expenses	(1,511)	(350)	(16)	(995)	(19,477)
Development and program expenses	(1,433)	(2,864)	(69)	(1,916)	(21,765)
Reallocation of portion of corporate reinvoicing	(2,718)	(2,556)	(430)	36,297	
OPERATING INCOME	3,189	20,366	4,871	0	101,258
Cost of net financial debt and other expenses/interest expenses	286	(2,474)	(18)	(3,751)	(3,203)
Reallocation of cost of net financial debt	(281)	(264)	(44)	3,751	
PRE-TAX INCOME OF CONSOLIDATED COMPANIES	3,194	17,628	4,809	0	98,055
Income tax	(1,325)	(5,760)	(456)		(30,365)
Share of income (loss) of equity affiliates and joint ventures	(28)	(250)			(211)
INCOME (LOSS) OF THE CONSOLIDATED GROUP	1,841	11,618	4,353	0	67,479
<i>Attributable</i>	<i>1,639</i>	<i>10,140</i>	<i>730</i>	<i>0</i>	<i>46,034</i>
<i>Minority interests</i>	<i>202</i>	<i>1,478</i>	<i>3,623</i>		<i>21,445</i>

Note 3.1.2. Working Capital Requirement by operating segment

Fiscal year ended November 30, 2017
(in € thousands)

	Île-de-France	West	Southwest	Southeast
Inventories	134,533	39,153	106,287	62,839
Accounts receivable	117,442	39,231	56,357	48,192
Other	(185,828)	(80,088)	(103,229)	(68,102)
WORKING CAPITAL REQUIREMENT	66,147	(1,704)	59,415	42,929

Fiscal year ended November 30, 2017
(in € thousands)

	Rhône-Alpes	Commercial property and Logistics	Other Regions	Head Office	Grand total
Inventories	24,399	6,997	9,829	844	384,882
Accounts receivable	27,487	41,354	6,527	3,553	340,142
Other	(32,609)	(106,219)	(15,851)	14,529	(577,397)
WORKING CAPITAL REQUIREMENT	19,277	(57,868)	505	18,926	147,627

Fiscal year ended November 30, 2016
(in € thousands)

	Île-de-France	West	Southwest	Southeast
Inventories	96,805	40,390	131,840	63,964
Accounts receivable	103,675	34,905	81,359	43,802
Other	(198,533)	(83,040)	(125,034)	(76,249)
WORKING CAPITAL REQUIREMENT	1,947	(7,745)	88,165	31,517

Fiscal year ended November 30, 2016
(in € thousands)

	Rhône-Alpes	Commercial property and Logistics	Other Regions	Head Office	Grand total
Inventories	20,257	4,247	13,566	311	371,381
Accounts receivable	29,646	78,940	3,025	317	375,669
Other	(30,474)	(83,239)	(9,549)	(11,691)	(617,809)
WORKING CAPITAL REQUIREMENT	19,429	(52)	7,042	(11,063)	129,241

Note 3.2. Revenues and gross margin

The group markets all its development projects under rules governing sales before completion (VEFA).

With the sale-before-completion contract, lawmakers have given real estate developers the option to call for payment from customers in accordance with the percentage completion of programs, a payment schedule determined by law, while giving customers a Performance Bond. The customers' cumulative payments may not exceed 35% of the price upon completion of the foundations, 70% upon boxing up and 95% upon completion of the building. This contract makes the buyer the owner of the land and building progressively as its construction is completed.

Revenues are recognized in accordance with IAS 18 "Revenue" and in accordance with the methods of IAS 11 "Construction Contracts" as

regards recognition on the basis of the percentage of completion, i.e., proportionally to technical completion, the starting point of which is the acquisition of the land and the commercial completion (execution of the deeds of sale) of each program.

The revenues and margin are recognized as the works are 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 management's knowledge, they take account of expected changes in sales prices and in the cost of marketing and construction.

Below is a breakdown of revenues and gross margin per product:

	November 30, 2017		November 30, 2016	
(in € thousands)	Revenues	Gross margin	Revenues	Gross margin
Multi-occupancy housing	1,169,114	218,648	1,017,674	190,229
Single-family homes	44,605	9,156	42,334	8,954
TOTAL HOUSING UNITS	1,213,719	227,804	1,060,008	199,183
SERVICES	165,263	39,729	171,098	35,040
OTHER	11,816	1,598	6,896	1,382
TOTAL REVENUES AND GROSS MARGIN	1,390,798	269,131	1,238,002	235,605

Note 3.3. Operating expenses

	November 30, 2017				November 30, 2016			
(in € thousands)	Salaries and payroll taxes	Advertising expenses	Other operating expenses	Total	Salaries and payroll taxes	Advertising expenses	Other operating expenses	Total
Selling expenses	11,106	21,381	5,168	37,655	9,292	20,290	5,309	34,891
Administrative expenses	26,685		37,655	64,340	24,476	–	33,738	58,214
Technical and customer service expenses	17,900		2,682	20,582	16,698		2,779	19,477
Development and program expenses	15,251		13,348	28,599	13,797	–	7,968	21,765
TOTAL OPERATING EXPENSES	70,942	21,381	58,853	151,176	64,263	20,290	49,794	134,347

Selling expenses

Selling expenses amounted to €37.7 million in 2017, versus €34.9 million in 2016. This 7.9% rise mainly reflects advertising expenses and “Salaries and payroll expenses”.

Administrative expenses

General administrative expenses totaled €64.3 million in 2017, versus €58.2 million in 2016, i.e., a 10.5% increase, which can be attributed for the most part to a €2.2 million increase in “Salaries and payroll taxes”, a €1.1 million increase in “Taxes”, and a €0.6 million increase in “Rents and rental expenses”.

Other operating expenses mainly comprise €6.5 million in “Rents and rental expenses”, €7.5 million in “Taxes”, €8.4 million in “Total estimated

expenses”, including €3.2 million in expenses to deferred bonus share plans and €3.7 million in net amortization and depreciation expenses.

Technical and customer service expenses

Technical and customer service expenses totaled €20.6 million in 2017, versus €19.5 million in 2016, the increase coming from “Salaries and payroll taxes” in the amount of €1.2 million.

Development and program expenses

Development and program expenses totaled €28.6 million in 2017, versus €21.8 million in 2016, i.e., a 31.4% increase, which can be attributed for the most part to the €1.5 million increase in “Salaries and payroll taxes”, €2.7 million in project abandonment costs and a €2.1 million net change in provisions for new-project expenses.

Note 3.4. 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 infrastructure, the cost of construction and development of the model home 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.

IAS 2 provides for the recognition of indirect fixed expenses in 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 allocatable to real estate programs and incurred after a contract to purchase the land has been signed, can 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.

(in € thousands)	November 30, 2017			November 30, 2016
	Gross	Impairment	Net	Net
New projects	50,985	(6,744)	44,241	25,857
Current programs	344,817	(4,176)	340,641	345,524
TOTAL INVENTORIES	395,802	(10,920)	384,882	371,381

The change in impairment charges can be broken down as follows:

(in € thousands)	November 30, 2016	Expenses	Reversals	November 30, 2017
New projects	3,706	6,553	(3,515)	6,744
Current programs	3,415	1,717	(956)	4,176
TOTAL INVENTORIES	7,121	8,270	(4,471)	10,920

Inventories net of new program expenses were up €18.4 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 impairment in the amount of €1.6 million mainly reflect unused provisions for expenses where the development was uncertain at launch, the rest reflecting expenses provisioned for projects that were subsequently discontinued.

Gross inventories for current programs decreased by 1.2% over the year.

Provisions for current programs amounting to €3.8 million reflect provisions for undeveloped acquired land and provisions for loss at termination on programs under development.

Recognized reversals of provisions for impairment mainly correspond to the reduction in provisions for loss at termination on Seri Ouest operations purchased in 2016 as they progressed.

Note 3.5. Accounts receivable 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 payments, made to customers at various stages of the works, in accordance with regulations in force, that are still unpaid;

- the time lag that may exist between the calls for payments and the actual percentage-of-completion recorded at the period-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.

	November 30, 2017			November 30, 2016
(in € thousands)	Gross	Impairment	Net	Net
ACCOUNTS RECEIVABLE	340,553	(410)	340,142	375,669
Government – VAT	128,323	(195)	128,128	112,209
Advances and down payments	953		953	1,552
Current equity affiliates accounts	8,046		8,046	10,262
Receivables from civil-law notaries	41,424		41,424	21,368
Other	16,983	(4,342)	12,641	13,148
TOTAL OTHER RECEIVABLES	195,729	(4,537)	191,192	158,539
GOVERNMENT – CURRENT TAXES	7,776		7,776	1,232
PREPAID EXPENSES	1,079		1,079	1,345
TOTAL ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES	545,137	(4,947)	540,189	536,785

All “Trade receivables” and “Other receivables” mature in less than one year.

The change in impairment charges can be broken down as follows:

(in € thousands)	November 30, 2016	Change in the scope of consolidation	Expenses	Reversals used	Reversals unused	November 30, 2017
Accounts receivable	355		158	(27)	(76)	410
Other receivables and VAT	4,236	0	783	(471)	(11)	4,537
TOTAL	4,591	0	941	(498)	(87)	4,947

During the fiscal year, there were no significant allowances, or reversals of allowances, for trade and other receivables.

Note 3.5.1. Accounts receivable

The difference between net accounts receivable (€340.1 million) and the amount of calls for payment outstanding (€75.1 million) net of impairment, i.e., €265 million, corresponds to the time lag between the contractual calls for payment and the program percentage-of-completion revenues recognized. Receivables corresponding to that difference are posted exclusive of tax.

Civil-law notaries drafting deeds of sale are 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 calls for payment on lots not yet delivered to buyers. A provision for €0.4 million is booked for the receivables in relation to which the group believes there is a risk of non-collection.

According to the standard terms of payment, calls for payment are payable immediately upon receipt.

Prior calls for payment at November 30, 2017 are as follows:

(in € millions)	November 30, 2017		November 30, 2016	
	in value	as a %	in value	as a %
• Less than 30 days	67.8	90.3%	53.6	89.5%
• 30 to 60 days	4.5	6.0%	3.3	5.5%
• 60 to 90 days	1.0	1.3%	0.4	0.7%
• More than 90 days	1.8	2.4%	2.6	4.3%
TOTAL CALLS FOR PAYMENT	75.1		59.9	

Note 3.5.2. Government – VAT

At November 30, 2017, the “VAT” item included: the VAT deductible on recorded supplier invoices, amounting to €42.9 million (€42.3 million in 2016); the VAT recognized on invoices not received, associated with the recognition of expenses on a program percentage-of-completion basis, amounting to €70.3 million (€60.3 million in 2016); and VAT credits amounting to €15 million (€9.6 million in 2016).

Note 3.5.3. Current equity affiliates accounts

This item reflects the portion of the loss allocated to minority equity affiliates and not settled at November 30, 2017 on fully consolidated operations. A provision for liabilities and charges was recorded in the amount of €7.7 million to cover the non-recoverability risk associated

with current accounts of equity affiliates in default (see Note 8.1 “Provisions for liabilities and charges”).

Note 3.5.4. Other

The “Other” line item includes, among other things, a loan receivable from a partner in the amount of €1.2 million fully provisioned considering the legal dispute between the group and this partner and the payment of €1.9 million in relation to the Urssaf adjustment (see Note 8.1 “Provisions for liabilities and charges”), the sums paid in relation to the Roissy Park development dispute (see Note 8.2 “Contingent liabilities”) for €1.2 million, the insurance premiums paid in 2017 to be reinvoiced to programs for €0.7 million, and an advance on future profits in the amount of €2.5 million paid in 2016 as part of the agreements linked to the acquisition of SMP.

Note 3.6. Details of changes in Working Capital Requirements

(in € thousands)	November 30, 2016	Change in WCR in the SCF	Change in the scope of consolidation	Other changes in WCR	November 30, 2017
Inventories	371,381	9,680	18	3,803	384,882
Accounts receivable	375,669	(35,561)	35		340,143
Accounts payable	(675,146)	26,264	(2)	(3,128)	(652,012)
Other operating assets and liabilities	61,964	4,961	(54)	(31)	66,840
OPERATING WORKING CAPITAL REQUIREMENT (STATEMENT OF CASH FLOWS)	133,868	5,344	(2)	644	139,854
Current taxes	(4,626)	25,816	37	(13,452)	7,775
WORKING CAPITAL REQUIREMENT	129,242	31,160	34	(12,808)	147,627

The change in operating Working Capital Requirement (excluding current taxes) for fiscal year 2017 was €5.3 million compared to November 30, 2016.

Note 3.7. Counterparty risk management

The counterparty risks incurred by the Kaufman & 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 & 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 risk 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.

Kaufman & Broad conducts certain development programs in conjunction with external shareholders, which inject capital into the programs and provide shareholder loans. Depending, among other things, 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.

Note 4. Employee compensation and benefits

Note 4.1. Payroll expenses

Payroll expenses incurred for group employees are broken down as follows:

(in € thousands)	November 30, 2017	November 30, 2016
Salaries and payroll taxes	70,942	64,264
Including wages and salaries ⁽¹⁾	52,642	49,991
o/w: employer contribution	1,052	877
Bonus shares ⁽²⁾	5,396	7,565
Payroll taxes ⁽³⁾	25,108	23,046
TOTAL PAYROLL EXPENSES	77,750	73,037
Average number of employees (full-time equivalent)	813	738

(1) Detailed information relative to the group's commitments for retirement benefits is provided in Note 4.2. "Provisions for retirement benefits".

(2) Detailed information relative to share-based payments is provided in Note 4.3. "Share-based payments".

(3) The amount of expenses recognized for pension plans was €6.1 million in fiscal year 2017, compared to €5.5 million in fiscal year 2016.

Note 4.2. Provisions for retirement benefits

The group has no commitments other than the retirement benefits that are provisioned in the group's Consolidated Financial Statements.

This provision is assessed by an independent expert.

The actuarial method used is the projected unit credit method. This method consists in evaluating, for each employee, the amount of the bonus corresponding to the projected salary at the end of the employee's career, and to the rights applied to the seniority vested on the valuation date. The amount of the bonus, thus measured, 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.

The following assumptions were used in order to calculate retirement benefits:

- discount rate: 1.50% rate on "AA" corporate bonds (value determined by the IBOXX index);
- average wage increase rate: 2.00%;
- inflation rate: 1.75%;
- retirement age of 62 for all personnel categories;
- average annual turnover: 6.4%, knowing that a differential rate calculated on the average of the last three 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, 2017	November 30, 2016
Costs of services rendered during the fiscal year ⁽¹⁾	(12)	1
Financial cost ⁽²⁾	72	106
EXPENSE RECOGNIZED IN INCOME STATEMENT	60	107

(1) The cost of services rendered during the fiscal year was recognized in "Salaries and payroll taxes".

(2) The financial cost is recorded under the "Cost of net financial debt".

The changes to the provision are as follows:

<i>(in € thousands)</i>	November 30, 2017	November 30, 2016
Net liability at the beginning of the period	6,929	5,612
Cost for the fiscal year	256	168
Benefits paid	(196)	(61)
Change in the scope of consolidation	-	58
Actuarial gains or losses (recognized in equity)	(583)	1,152
NET LIABILITIES AT THE END OF THE PERIOD	6,406	6,929

The total actuarial gain (loss) at November 30, 2017 totaled €0.6 million, versus a loss of €1.2 million at November 30, 2016. The change was due for the most part to a decline in the discount rate and an increase in the turnover rate.

As of November 30, 2017, the net liability would be €6,242 thousand with a discount rate of 1.75% and €6,577 thousand with a discount rate of 1.25%.

The actuarial gains and losses generated can be presented on a historical basis as follows:

<i>(in € thousands)</i>	November 30, 2017	November 30, 2016	November 30, 2015	November 30, 2014
Commitment	6,406	6,929	5,612	5,619
Financial assets	-	-	-	-
FINANCIAL HEDGING	6,406	6,929	5,612	5,619
Actuarial losses and (gains) generated on the vcommitment	(583)	1,152	(24)	320

Note 4.3. Share-based payment

Under IFRS 2 "Share-based Payment", stock options and stock warrants, offers reserved for employees and bonus awards of Kaufman & Broad shares granted 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 allocation of the rights. The value of stock options, stock warrants 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 award date and the exercise date of the options or the date of availability of the shares, with a direct contra entry posted to shareholders' equity.

Note 4.3.1. Bonus share plan

Under the April 15, 2016 bonus share plan, 376,199 bonus shares were definitively awarded on April 15, 2017, at the end of the vesting period, and were delivered. Under the July 7, 2015 bonus share plan, 105,100 bonus shares were definitively awarded on July 7, 2017, at the end of the vesting period, and were delivered.

During the year, the Board of Directors decided to set up a new bonus share plan and awarded the remaining bonus shares from the plan authorized on April 15, 2016.

Details concerning the main features of the group's plans in effect at November 30, 2017 are set forth in the table below:

Bonus share plan	May 11, 2017	May 11, 2017
Date of authorization by the Extraordinary Shareholders' Meeting	April 15, 2016	May 11, 2017
Total number of bonus shares that may be awarded	400,000	250,000
Date of the Board of Directors' meeting awarding the shares	May 11, 2017	May 11, 2017
Number of beneficiaries	814	814
Types of shares	Existing	Existing
Number of bonus shares awarded	23,801	90,788
Lapsed shares	766	3,185
Shares outstanding at November 30, 2017	23,035	87,603
Price on the award date	€37.75	€37.75
Date of vesting	May 11, 2019	May 11, 2019
Date available	May 11, 2021	May 11, 2021
Initial fair value of the plan	€576,785	€2,200,123
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)	€2.06 per share	€2.06 per share
• risk-free interest rate (market rate)	(0.30)%	(0.30)%
• share lending/borrowing rate	–	–
• forward price discounting rate	Euribor +300 bps	Euribor +300 bps
	0% for key executives	0% for key executives
• turnover rate	16.1%/year for other employees	16.1%/year for other employees

The bonus share plans generated an expense of €4.9 million over the period, recognized in equity and detailed below.

(in € thousands)	7/7/2015 Plan	4/15/2016 Plan	5/11/2017 Plans	Total
Initial valuation	2,415	10,311	2,777	15,503
Expense for the period	520	3,652	743	4,915

Note 4.3.2. Lock-up discount related to the capital increase reserved for members of the Group Savings Plan

As part of the "2017 KB Shares" share offering to leverage and guarantee investment that is reserved for employee members of the Group savings plan, on November 30, 2017, Kaufman & Broad SA recorded the capital increase resulting from subscriptions to the 2017 KB Shares offer (see Note 7.1.1 "Change in capital"). The share offering was carried out by obtaining shares of a mutual fund invested in Kaufman & Broad shares. The shares purchased through the mutual fund were issued by Kaufman & Broad with a 20% discount on the reference price and are non-transferable throughout the duration of the five-year shareholding plan. Employees participating in the plan also waived the right to receive dividends on the shares purchased.

The benefits awarded to employees include:

- a lock-up discount estimated on the basis of the cost for the employee to take out a loan to buy the same number of transferable shares on the award date and which would be repaid at the end of the lock-up period by selling the shares from the shareholding plan;
- an estimate of the mutual fund's opportunity cost related to the share's performance beyond the guaranteed return under the plan, evaluated as an option.

The expense related to this benefit was estimated at €481,000.

Note 4.4. Executive compensation (related parties)

Terms and Conditions of Related-party Transactions

With the exception of the sale of 62,800 Kaufman & Broad SA shares between Financière Gaillon 8 and the company, and transactions with Artimus Participations, related-party transactions, including the compensation method for executives, remained comparable to 2016 and no other unusual type or amount of transaction occurred during the period.

Group corporate officers

In 2016 and 2017, the group did not grant any loans to the members of its administrative and management bodies.

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, 2017	November 30, 2016
Short-term benefits other than employer contributions ⁽¹⁾	2,326	3,828
Short-term benefits: employer contributions	1,775	1,738
Post-employment benefits – balance sheet impact ⁽²⁾	–	–
Other long-term benefits ⁽³⁾	NA	NA
Retirement indemnities	–	–
Directors' fees ⁽⁴⁾	236	254
Share-based compensation	–	–
Stock option awards (number)	–	–
Bonus share awards (number)	36,750	169,827

(1) Includes gross salaries, compensation, bonuses, incentives, profit-sharing and in-kind benefits paid for the year. Compensation relates to members of the Management Committee.

(2) Services under a retirement benefit.

(3) Other compensation vested but due in the long term.

(4) 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 2017, the amount recognized as expenses by our Company for this contract was €150,000 (€181,000 at November 30, 2016).

Note 5. Property, plant and equipment and intangible fixed assets

Note 5.1. Goodwill

Goodwill is determined once, on the takeover date (one-time goodwill). The allocation of the purchase price 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 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.

The main goodwill items of the consolidated companies by Cash Generating Unit (CGU) can be analyzed as follows:

(net value in € thousands)	November 30, 2017	November 30, 2016
Île-de-France	8,346	8,346
Kaufman & Broad Sud-Ouest	47,287	47,287
Serge Mas Promotion	150	150
Résidences Bernard Teillaud	12,878	12,878
TOTAL GOODWILL	68,661	68,661

(in € thousands)	November 30, 2017	November 30, 2016
Balance at the beginning of the period	68,661	68,511
Increase		150
Impairment loss		–
BALANCE AT THE END OF THE PERIOD	68,661	68,661

Goodwill was subjected to impairment tests in accordance with the principles described in Note 5.4. “Impairment on fixed assets 3”. The tests showed that there was no impairment at November 30, 2017. The recoverable amount used was based on the value in use.

Other intangible assets consist of design costs and software, which are recognized at their acquisition or production cost, and are amortized using the straight line method over the useful life, which generally does not exceed five years.

Note 5.2. Other intangible assets

Intangible assets mainly include the valuation of the Kaufman & Broad brands and logos. The life of these assets is undetermined and is therefore not amortized, but is subject to impairment testing annually or as soon as there is indication of impairment.

Research and Development costs

For the Kaufman & Broad group, development costs comprise the expenses associated with real estate (commitments on projects for which a commitment to buy the land has been signed) and are treated as inventory, as an element of the cost price, when it is probable that the program will be developed.

Other intangible assets break down as follows:

	November 30, 2017			November 30, 2016
(in € thousands)	Gross amount	Aggregated amortization	Net amount	Net amount
Kaufman & Broad brand	80,422		80,422	80,422
Other intangible assets	26,311	(17,291)	9,020	7,148
TOTAL INTANGIBLE ASSETS	106,733	(17,291)	89,442	87,570

The brand is tested for impairment of overall value with goodwill (see Note 5.4 “Impairment on fixed assets”).

The change in the net amount of intangible assets can be analyzed as follows:

(in € thousands)	November 30, 2017	November 30, 2016
Balance at the beginning of the period	87,570	86,605
Acquisition of intangible assets	3,132	2,701
Sales and disposals and change in scope of consolidation	1,138	234
Amortization expense	(2,398)	(1,970)
BALANCE AT THE END OF THE PERIOD	89,442	87,570

The acquisition of intangible assets and amortization only concern software programs.

In this respect, the straight-line method is generally applied over the following periods:

Note 5.3. Property, plant and equipment

Property, plant and equipment is 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 less a residual value, where applicable.

- fittings, fixtures, facilities: 10 years;
- construction equipment: 5 years;
- transportation equipment: 5 years;
- office equipment: 5 years;
- office furniture: 10 years;
- IT equipment: 3 years.

The assets available to the Kaufman & Broad group under a financial lease agreement, which primarily include 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 (and sub-leases) are shown in off-balance sheet commitments.

Property, plant and equipment break down as follows:

	November 30, 2017			November 30, 2016
(in € thousands)	Gross amount	Aggregated amortization	Net amount	Net amount
Land	187		187	187
Buildings	329	(24)	305	305
Other property, plant and equipment	20,555	(14,062)	6,493	5,437
Property, plant and equipment in progress	714		714	1,520
TOTAL NET PROPERTY, PLANT AND EQUIPMENT	21,785	(14,086)	7,699	7,449

Other property, plant and equipment include the office fixtures and furnishings at the headquarters and various group agencies.

The change in the net amount of property, plant and equipment can be analyzed as follows:

(in € thousands)	November 30, 2017	November 30, 2016
Balance at the beginning of the period	7,449	4,663
Acquisitions of property, plant and equipment	3,310	4,241
Sales and disposals and change in scope of consolidation	(1,243)	(40)
Depreciation (net of reversals)	(1,817)	(1415)
BALANCE AT THE END OF THE PERIOD	7,699	7,449

Note 5.4. Impairment on fixed 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 Rhône-Alpes;
- Kaufman & Broad Méditerranée;
- Kaufman & Broad Ouest;
- Kaufman & Broad Pyrénées-Atlantiques;
- Kaufman & Broad Côte d'Azur;
- Kaufman & Broad Flandres;
- Kaufman & Broad Immobilier d'entreprise et Logistique;
- Kaufman & Broad Est.

Impairment testing

For goodwill and intangible assets with an undetermined useful life, impairment tests are 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 their recoverable value and their net book value.

The need to recognize an impairment loss is assessed by comparing the book value of the assets and liabilities of the CGUs and their recoverable value. The recoverable value is the higher 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.

The discount rate used to determine the value in use at November 30, 2017 amounted to 7% (unchanged compared to November 30, 2016). 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 2018-2022 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 into the future, the perpetual growth rate used to calculate the terminal value was 0.5% (unchanged

compared to November 30, 2016). This rate is below the 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, whose net balance sheet value is €80.4 million (see Note 5.2 "Other intangible assets"), 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 executive 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 loss appears using these reduced assumptions.

Note 5.5. Commitments relating to capital expenditures, purchases and rentals

(in € thousands)	Payments due by maturity				November 30, 2016
	November 30, 2017	Less than one year	1 to 5 years	More than 5 years	
Commitments for operating leases	20,564	7,904	11,579	1,081	21,494
Tangible and intangible investment commitments					
TOTAL	20,564	7,904	11,579	1,081	21,494

Commitments for operating leases

The table below shows, as of November 30, 2017, the minimum future rents on operating leases not subject to termination:

(in € thousands)	November 30, 2017	November 30, 2016
2017	0	6,724
2018	7,904	5,981
2019	8,241	4,408
2020	2,235	1,370
2021	781	1,104
2022	322	992
2023 and beyond	1,081	915
TOTAL MINIMUM FUTURE RENTS	20,564	21,494

The rent expense recognized on the income statement at November 30, 2017 for operating leases amounted to €6.8 million (€6.2 million at November 30, 2016).

Note 6. Financing and financial instruments

Note 6.1. Financial assets and liabilities

Financial assets and liabilities are classified into three categories and include:

- borrowings at amortized cost;
- financial liabilities recognized at fair value in the income statement;
- loans and receivables, financial assets available-for-sale.

Current and non-current borrowings and financial liabilities

Borrowings and other financial liabilities are initially assessed at fair value and then at amortized cost, calculated using the Effective Interest Rate (EIR).

Transaction costs that are directly attributable to the acquisition or the issuance of a financial liability, are deducted from this financial liability. These costs are then amortized over the life of the liability using the EIR method.

The portion of the financial debt maturing in less than one year is shown as current liabilities.

Derivative financial instruments

The Kaufman & Broad group is exposed to market risk, in particular to 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 uses only future cash flow hedging instruments:

- the hedging of cash flows consists in covering exposure to changes in cash flows attributable to the 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 portion of the change in fair value of the hedging instrument is directly offset against shareholders' equity. The change in the value of the ineffective portion of the hedging instrument is recognized as a profit or loss in financial income. The amounts recorded as shareholders' equity are shown in the income statement, in the same way that hedged assets and liabilities are recognized.

Trade payables and other accounts payable

Because of their short-term nature, the book values stated in the Consolidated Financial Statements are reasonable estimates of their market value.

Note 6.1.1. Book value and fair value of financial assets and liabilities by category

	November 30, 2017				November 30, 2016			
	Fair value through profit/(loss)	Loans and receivables	Debt at amortized cost	Balance sheet value	Fair value through profit/(loss)	Loans and receivables	Debt at amortized cost	Balance sheet value
<i>(in € thousands)</i>								
Financial assets								
Other non-current financial assets		2,311		2,311		2,504		2,504
Accounts receivable		340,142		340,142		375,669		375,669
Other current receivables		191,193		191,193		158,540		158,540
Government – current taxes		7,776		7,776		1,232		1,232
Cash and cash equivalents	221,065			221,065	118,108			118,108
TOTAL FINANCIAL ASSETS	221,065	541,422	0	762,487	118,108	537,945	0	656,053
Financial liabilities								
Borrowings and financial debts	124		254,032	254,156	1,726		201,476	203,202
Supplier payables			652,012	652,012			675,146	675,146
Government – current taxes							5,858	5,858
Other current liabilities			125,433	125,433			97,921	97,921
TOTAL FINANCIAL LIABILITIES	124	0	1,031,477	1,031,601	1,726	0	980,401	982,127

IFRS 13 requires a fair value hierarchy to categorize the inputs used in valuation techniques into three levels. These categories are as follows:

- level 1: direct reference to quoted prices (not adjusted) in active markets for identical assets or liabilities that the entity can access on the measurement date;
- level 2: inputs other than quoted market prices included within level 1, that observable for the asset or liability, either directly or indirectly;
- level 3: inputs concerning the asset or liability that are founded on unobservable data.

(in € thousands)	November 30, 2017			November 30, 2016		
	Book value	Fair market value	Level	Book value	Fair market value	Level
Assets						
Cash and cash equivalents	221,065	221,065	2	118,108	118,108	2
TOTAL ASSETS	221,065	221,065		118,108	118,108	
Liabilities						
Syndicated line of credit	100,000	100,000	3	200,000	200,000	3
Bonds	150,000	150,000	3			
Utilized credit facilities	1,757	1,757	3	3,195	3,195	3
Other borrowings and finance lease	2,785	2,785	3	1,404	1,404	3
Issuance expenses	(510)	(510)	3	(3,123)	(3,123)	3
Fair value of derivatives	124	124	2	1,726	1,726	2
TOTAL EQUITY AND LIABILITIES	254,156	254,156		203,202	203,202	

Loans and receivables, financial assets and liabilities 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 floating-rate financial liabilities is close to their book value.

Note 6.1.2. 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.

Gross financial debt by type

At November 30, 2017, gross financial debt could be broken down as follows:

(in € thousands)	November 30, 2017			November 30, 2016
	Current	Non-current	Total	
Syndicated line of credit ⁽¹⁾		100,000	100,000	200,000
Bond ⁽²⁾		150,000	150,000	
Arrangement costs ⁽³⁾	(72)	(438)	(510)	(3,123)
Utilized credit facilities	1,757		1,757	3,195
Other borrowings and finance lease	2,732	53	2,785	1,404
Fair value of derivatives	124		124	1,726
GROSS FINANCIAL DEBT	4,541	249,615	254,156	203,202

(1) The syndicated banking credit line arranged in April 2016 is repayable upon maturity in 2021.

(2) Bonds set up in May 2017 have the following maturities: the €50 million tranche matures in full in 2024 and the €100 million tranche matures in full in 2025.

(3) Arrangement costs connected with the arrangement of the Senior Facilities Agreement in April 2016 amounted to €3.5 million and were fully paid off as of November 30, 2017. Issuance costs connected with the bond issue in May 2017 amounted to €0.5 million, and €39,000 was paid off as of November 30, 2017.

At November 30, 2017, the Group used €100 million from the syndicated banking credit lines and issued a €150 million bond on May 18, 2017.

Bond

On May 18, 2017, as part of a private placement made with institutional investors in Europe, Kaufman & Broad issued its first “Euro PP” bond for €150 million. This private placement breaks down into a €50 million

seven-year tranche maturing in May 2024 at an annual fixed rate of 2.879% that is payable on May 31 of each year, and a €100 million eight-year tranche maturing in May 2025 with a fixed annual interest rate of 3.204% payable on May 31 of each year.

This bond enabled the group to repay €100 million in existing senior debt early and provide the group with new financial resources to support its growth.

Adjustment of financial ratios

In the accounting half-year periods from November 2017 until the bond is repaid, the group is required to observe two ratios, calculated on a consolidated basis, with levels defined as follows:

Ratios at each six-month period-end	Threshold at November 30, 2017	Ratio at November 30, 2017
Financial leverage ratio ⁽¹⁾	≤ 3.0	0.28
Debt/equity ratio ⁽²⁾	≤ 2.5	0.13

(1) Net Financial Debt (a), 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 pre-tax net earnings of the consolidated group before, in particular: 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 relating to the non-financial compensation of employees); gains or losses from the sale of assets; and then reduced by the revenue from minority interests.

(2) Net financial Debt (a), divided by adjusted shareholders' equity (c):

- (c) adjusted shareholders' equity = consolidated shareholders' equity at November 30, 2016; plus aggregated income from December 1, 2016 to the end of the relevant quarter; less dividends paid for the relevant period; plus the aggregated impairment charge for the period from December 1, 2016 to the end of the relevant quarter.

This transaction also enables the group to diversify its sources of financing to receive more favorable market conditions and substantially extend its average debt maturity.

Senior Facilities Agreement

On April 4, 2016, Kaufman & Broad SA signed a Senior Facilities Agreement with a syndicate of international banks (“2016 Senior Facilities Agreement”). During the first half of 2017, following the issuance of the new bond, the group prepaid Tranche A in full for €50 million and Tranche B for €50 million.

As a result, at November 30, 2017, the group had syndicated loans under a Tranche B (the “Tranche B”) for a principal amount of €100 million maturing in 2021 and a revolving credit facility (the “Revolving Credit Facility”) for a principal amount of €100 million, i.e., a total maximum amount of €200 million.

As of November 30, 2017, the Company had not started to utilize its revolving credit line.

Under the 2016 Senior Facilities Agreement, the loan under Tranche B is repayable on the maturity date, five years following the Transaction settlement date.

The 2016 Senior Facilities Agreement provides that the payment of interest is based on an interest rate equal to Euribor (with a floor at 0% per annum) plus a margin which would depend on the group's leverage ratio, as follows:

Financial leverage ratio ⁽¹⁾	RCF ⁽²⁾	Tranche B
Superior to 1.0	Margin of 2.75% per year	Margin of 3.00% per year
Lower than or equal to 1.0	Margin of 2.50% per year	Margin of 2.75% per year

(1) Net Financial Debt (a), 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 pre-tax net earnings of the consolidated group before, in particular: 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 relating to the non-financial compensation of employees); gains or losses from the sale of assets; and then reduced by the revenue from minority interests.

(2) Revolving Credit Facility.

Adjustment of financial ratios

In the accounting half-year periods from November 2016 until the Senior Facilities Agreement expires in 2021, the group is required to observe two ratios, calculated on a consolidated basis, with levels defined as follows:

Ratios at each six-month period-end	Threshold at November 30, 2017	Ratio at November 30, 2017
Financial leverage ratio ⁽¹⁾	≤ 3.0	0.28
Debt/equity ratio ⁽²⁾	≤ 2.5	0.13

(1) Net Financial Debt (a), 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 pre-tax net earnings of the consolidated group before, in particular: 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 relating to the non-financial compensation of employees); gains or losses from the sale of assets; and then reduced by the revenue from minority interests.

(2) Net financial Debt (a), divided by adjusted shareholders' equity (c):

(c) adjusted shareholders' equity = consolidated shareholders' equity at November 30, 2015; plus aggregated income from December 1, 2015 to the end of the relevant quarter; less dividends paid for the relevant period; plus the aggregated impairment charge for the period from December 1, 2015 to the end of the relevant quarter.

The agreement provides for a "cash sweep" clause in certain conditions.

The 2016 Senior Facilities Agreement requires the granting of any security interest to guarantee the amounts owed by the Company acting as Borrower. Kaufman & Broad Homes SAS and Kaufman & Broad Europe SAS grants guarantees (subject to the usual limitations protecting their corporate interest) in respect of loans borrowed by the Company under the 2016 Senior Facilities Agreement.

The 2016 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 2016 Senior Facilities Agreement, a change in control would occur (i) in the event of a sale, transfer or other disposal (other than a merger, consolidation or similar arrangement), in one or more linked transactions, of some or all of the group's assets or (ii) if a person or group of persons acting in concert (other than PAI Partners or any person acting as guarantor bank in the partial sale of its equity interest by Financière Gaillon 8 or any other shareholder approved by the majority of the lenders) acquires (directly or indirectly) more than 33.33% of the voting rights in Kaufman & Broad, and the mandatory public offering resulting from exceeding that threshold: (a) was not recommended by the Company's Board of Directors or (b) was recommended by the Company's Board of Directors and was completed successfully.

Unutilized syndicated credit lines

(in € thousands)	November 30, 2017	November 30, 2016
Unutilized RCF line ⁽¹⁾	100,000	100,000

(1) The Revolving Credit Facility (RCF) line for a maximum amount of €100 million with bullet repayment in April 2021 was arranged in April 2016 to refinance the group's general and working capital requirements. This line has not been utilized since it was arranged.

Change in gross financial debt

Gross financial debt at November 30, 2016	203,202
Repayment of the 2016 Senior Facilities Agreement – tranche A and B	(100,000)
New bond	150,000
Arrangement costs ⁽¹⁾	2,613
Changes in other borrowings	1,382
Change in the fair value of derivative instruments	(1,602)
Change in credit facilities	(1,439)
GROSS FINANCIAL DEBT AT NOVEMBER 30, 2017	254,156

(1) This amount includes the accelerated staggering of management fees for €1.6 million.

Note 6.1.3. Net financial debt**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.

The Kaufman & Broad group's cash and cash equivalents are broken down as follows:

(in € thousands)	November 30, 2017	November 30, 2016
Bank balances and cash on hand ⁽¹⁾	218,125	114,878
Short-term investments and term deposits ⁽²⁾	0	258
Order balances ⁽³⁾	2,940	2,972
CASH AND CASH EQUIVALENTS	221,065	118,108

(1) 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.

(2) Short-term investments comprised SICAV money-market funds and term deposits.

(3) Order balances accounted for 5% of deposits made by customers to a blocked bank account upon signing their order. These amounts are released and therefore available upon execution of the notarized deed of sale.

Net financial debt

Net financial debt is comprised of the gross financial debt, as defined above, less the net cash position.

The balance sheet items contributing to net financial debt are as follows:

(in € thousands)	November 30, 2017	November 30, 2016
Gross financial debt	254,156	203,202
Cash and cash equivalents	221,065	118,108
NET FINANCIAL DEBT	33,091	85,094

Note 6.2. Exposure to market risks and financial instruments**Note 6.2.1. Interest-rate risk management**

Assessments at fair value measurements are detailed by level, in accordance with the following fair-value hierarchy:

- the instrument is traded on an active market (level 1);
- the assessment uses valuation measurement techniques based on directly (price) or indirectly (derivatives of the price) 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 quoted on the closing date of the financial statements. A market is considered to be active if prices are readily and regularly available from a stock exchange, from traders, from brokers, from an appraiser or from 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 are only slightly based on 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.

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 hedging the cash flows. They are marked to market on the balance sheet. Kaufman & Broad applies cash flow hedge accounting. Under the Senior Facilities Agreement, the group also undertook to keep 50% of its borrowings hedged.

Interest-rate hedges are made using instruments traded on organized markets or over-the-counter, with high-quality counterparties.

Within the framework of the prepayment of the Senior Facilities Agreement, the rate swaps hedge portfolio was reviewed to cancel some of the swaps and agree a new one.

The table below details the portfolio of swaps that were canceled during the first half of the year against a lump sum payment of €1 million:

Type	Notional amount (in € millions)	Fixed rate	Repayment		Type
			Start date	End date	
EUR 1M fixed rate swap	20	0.1950%	April 30, 2016	April 30, 2021	Hedge
EUR 1M fixed rate swap	10	0.1950%	April 30, 2016	April 30, 2021	Hedge
EUR 1M fixed rate swap	15	0.1800%	May 31, 2016	April 30, 2021	Hedge
EUR 1M fixed rate swap	25	0.2780%	May 31, 2016	April 30, 2021	Hedge
EUR 1M fixed rate swap	25	0.2985%	May 31, 2016	April 30, 2021	Hedge
EUR 1M fixed rate swap	20	(0.1200)%	May 31, 2016	April 30, 2021	Hedge

The following table sets forth the details of the portfolio of one-month swaps paying Euribor against fixed-rate receiving swaps at November 30, 2017:

Type	Notional amount (in € millions)	Fixed rate	Repayment		Type	Book value at November 30, 2017, (as % of nominal)	Book value at November 30, 2016, (as % of nominal)
			Start date	End date			
EUR 1M fixed rate swap	10	0.5000%	November 28, 2014	November 30, 2017	hedge	–	(0.89)%
EUR 1M fixed rate swap	20	0.5000%	November 30, 2014	November 30, 2017	hedge	–	(0.89)%
EUR 1M fixed rate swap	20	0.2975%	May 31, 2017	April 1, 2021	hedge	(0.62)%	–

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, 2017 was –€82 thousand.

Following the swap effectiveness tests, conducted on November 30, 2016, the old swaps were disqualified, resulting in the hedging reserve being spread over the remaining term. The new swap arranged during the period is considered effective.

The exposure of the group's net debt at November 30, 2017 was:

Type of instrument	Floating/Fixed	Less than one year	1 to 5 years	More than 5 years
Syndicated lines of credit	Floating		100,000	
Bond	Fixed			150,000
Credit facilities	Floating	1,757		
FINANCIAL LIABILITIES		1,757	100,000	150,000
Bank balances and cash on hand ⁽¹⁾	Floating	218,125		
Short-term investments	Floating	0		
Order balances	Floating	2,940		
FINANCIAL ASSETS		221,065	–	–
NET POSITION BEFORE RISK MANAGEMENT		(219,308)	100,000	150,000
Swaps			(20,000)	
NET POSITION AFTER RISK MANAGEMENT		(219,308)	80,000	150,000

(1) Banks, available cash and reserve balances.

Interest rate sensitivity of assets and liabilities

Assumptions: 1-month Euribor at -0.372%.

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:

- increase: –€511 thousand;
- decrease: +€102 thousand.

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:

- increase: –€411 thousand;
- decrease: +€82 thousand.

The exposure of the group's net debt at November 30, 2016 was:

Type of instrument	Floating/Fixed	Less than one year	1 to 5 years	More than 5 years
Syndicated lines of credit	Floating	6,250	193,750	
Other borrowings	Floating	1,065		
Credit facilities	Floating	3,195		
FINANCIAL LIABILITIES		10,510	193,750	–
Bank balances and cash on hand ⁽¹⁾	Floating	114,878		
Short-term investments	Floating	258		
Order balances	Floating	2,972		
FINANCIAL ASSETS		118,108	–	–
NET POSITION BEFORE RISK MANAGEMENT		(107,598)	193,750	–
Swaps		(30,000)	(115,000)	
NET POSITION AFTER RISK MANAGEMENT		(137,598)	78,750	–

(1) Banks, available cash and reserve balances.

Note 6.2.2. 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 (SICAVs) and certificates of deposit bought from recognized institutions;
- treasury shares are held either to cover the objectives presented in the description of the share buyback 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 7.1.4. "Treasury shares."

Note 6.2.3. 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, 2017.

(in € thousands)	Book value at November 30, 2017											Book value at November 30, 2016
	Less than one year		1 to 2 years		2 to 3 years		3 to 5 years		5 + years		Total	
	Interest	Repay-ments	Interest	Repay-ments	Interest	Repay-ments	Interest	Repay-ments	Interest	Repay-ments		
Borrowings and financial liabilities												
Syndicated credit lines	2,378		2,378		2,378		814	100,000			100,000	200,000
Bond	3,923		3,923		3,923		3,923		12,169	150,000	150,000	
Other borrowings	2,475	4,489	2	53							4,542	4,599
TOTAL	8,776	4,489	6,303	53	6,301	0	4,737	100,000	12,169	150,000	254,542	204,599

The interest flows are paid monthly and take account of the swaps.

Note 6.3. Cost of net financial debt

(in € thousands)	November 30, 2017	November 30, 2016
Financial expenses	6,287	3,506
Financial income	(508)	(303)
COST OF NET FINANCIAL DEBT	5,779	3,203

The cost of net financial debt totaled €5.8 million, an increase of €2.6 million compared to 2016.

Financial expenses can be analyzed as follows:

(in € thousands)	November 30, 2017	November 30, 2016
Interest expenses on syndicated loans and bonds	6,776	5,352
Interest expense on swaps	1,463	608
Expenses for deferral of the arrangement fees for syndicated lines of credit	3,162	417
Capitalization of financial expenses	(10,972)	(7,837)
Expenses on dedicated transactions	5,740	3,301
Fair value on swaps	(1,067)	217
Other	1,185	1,448
FINANCIAL EXPENSES	6,287	3,506

Interest expenses on syndicated credit lines and on the bond are due to the €226.7 million utilization of the syndicated credit lines and the bond on average in 2017, versus €174.2 million utilization of syndicated credit lines in 2016.

The balance of the syndicated credit arrangement fees for 2016 were recognized at November 30, 2017 in the amount of €3.2 million. The arrangement costs of the bond issued in May 2017 were activated in the amount of €0.5 million. The deferral amounted to €39 thousand at November 30, 2017.

Following the swap effectiveness tests conducted on the portfolio on November 30, 2016, the old swaps were disqualified. After the group made changes to its debt (see Note 6.1.2 "Gross financial debt"), the swap portfolio was reorganized, which led to six swaps being canceled for a total nominal amount of €115 million, and to a balance of €1.1 million being paid.

The total effective rate of the debt, taking into account the total amortization of the arrangement costs incurred (€3.2 million) and hedging was 5.43% versus 4.13% in 2016; the difference is attributable primarily to the recognition of the balance of the 2016 Senior Facilities Agreement arrangement costs at fiscal end 2017.

Cash income can be analyzed as follows:

(in € thousands)	November 30, 2017	November 30, 2016
Capital gain on sale of money-market SICAVs and certificates of deposit	(388)	(228)
Other income from cash and cash equivalents	(120)	(75)
FINANCIAL INCOME	(508)	(303)

Note 7. Shareholders' equity and earnings per share

Note 7.1. Shareholders' equity

Note 7.1.1. Change in capital

Disposal of PAI Partners' remaining equity interest in Kaufman & Broad SA

In early 2016, PAI Partners announced that it wanted to reduce its equity interest in the capital of Kaufman & Broad in which the investment fund then held 88.64% of the share capital via the companies Financière Gaillon 8 and Financière Daunou 10. At November 30, 2016, Financière Gaillon 8 held a 35.76% equity interest in Kaufman & Broad SA's share capital and 55.61% of the voting rights, and the free float amounted to 48.16% of Kaufman & Broad SA's share capital.

In December 2016, Financière Gaillon 8 sold 62,800 Kaufman & Broad SA shares for €2 million to Artimus Participations, and in February 2017 sold 3,700,000 Kaufman & Broad SA shares representing 17.76% of Kaufman & Broad SA share capital via an accelerated private placement for €133 million.

As a result of these sales, Financière Gaillon 8 held 3,688,585 shares in Kaufman & Broad SA, representing 17.70% of Kaufman & Broad SA share capital.

Other disposals occurred thereafter. As a result, as of November 30, 2017 the PAI Partners fund no longer holds any shares or voting rights of Kaufman & Broad SA.

Kaufman & Broad SA shares admitted to the "long only" Deferred Settlement Service (SRD)

As part of its annual review of its deferred settlement service (*Service de Règlement Différé – SRD*), Euronext informed Kaufman & Broad that its securities were eligible for the "long only" SRD effective December 28, 2016.

This status is granted to securities listed on Euronext Paris with a minimum daily transaction volume of €100,000. It highlights and supports the growing liquidity and attractiveness of Kaufman & Broad securities for investors.

Changes in share capital

	November 30, 2016	Increase	Reduction	November 30, 2017
Number of shares	20,837,039	1,183,632	(947,136)	21,073,535
par value (in euros)	0.26	0.26	0.26	0.26
TOTAL (in € thousands)	5,418	308	(246)	5,479

The share capital was impacted by the issuance of 947,136 new shares in consideration for the 2016 dividend and by the reduction of capital by cancellation of 947,136 treasury shares on May 31, 2017 (see Note 7.1.3 "Dividends").

KB Actions 2017

On September 21, 2017, Kaufman & Broad SA announced the launch of its "KB Actions 2017" shareholding offer with leverage and investment guarantee, reserved for group employees who are members of the savings plan. On November 30, 2017, Kaufman & Broad SA recognized the increase of its share capital resulting from subscriptions to the KB Actions 2017 offer.

The offer was very successful with a membership rate of 65.4% for eligible employees. A total of 236,496 shares were thus subscribed through the KB Actions 2017 FCPE for an amount of €7,357,390.56.

As of November 30, 2017, the capital increase resulting from the offer brings the share of capital held by the group's employees through the various shareholding schemes to nearly 14% (including the shares held in the KB Actions 2017 FCPE and Kaufman & Broad Actionnariat FCPE offered under the savings plan, shares resulting from the free allocation of shares, and shares held by the company Artimus Participations).

The 236,496 new shares issued under the offer are common stock, fully comparable to the existing shares and have immediate dividend rights.

At November 30, 2017, Kaufman & Broad's authorized capital amounted to €5,479,119.10, divided into 21,073,535 shares of common stock with a par value of €0.26 each. The weighted average number of common stock outstanding totaled 19,938,096 shares at November 30, 2017, excluding treasury shares, compared to 19,621,425 shares, excluding treasury shares, at November 30, 2016.

Note 7.1.2. Consolidated retained earnings

At November 30, 2017, consolidated retained earnings include attributable net income of €59.1 million for the fiscal year.

Note 7.1.3. Dividends

The Shareholders' Meeting of Kaufman & Broad SA, held on May 11, 2017, decided to propose to shareholders an option of payment in shares of the dividend set at €1.85 per share for the fiscal year ended November 30, 2016.

The issue price of these new shares was set at €30.13, corresponding to 90% of the average listed price of Kaufman & Broad stocks on the Euronext Paris regulated market during the twenty trading days preceding the day of that Shareholders' Meeting, less the net amount of the dividend of €1.85 per share, rounded up to the nearest euro cent.

For the purpose of paying the dividend in shares, 947,146 new shares were issued, representing 4.55% of the share capital and 4.57% of the voting rights of Kaufman & Broad SA, based on the share capital and voting rights as of May 31, 2017. The settlement and delivery of the shares and their admission to trading on the Euronext Paris regulated market took place on June 2, 2017.

At May 31, 2017, and in order to keep the number of shares unchanged on a fully diluted basis, Kaufman & Broad proceeded to cancel 947,136 treasury shares. This cancellation of €29.9 million affected the "Other reserves" item. The authorized capital remained unchanged following this operation. Since, in the Consolidated Financial Statements, treasury shares are recognized in accordance with IFRS rules as a deduction from shareholders' equity, this cancellation had no impact on shareholders' equity as a whole.

The total cash dividend paid to shareholders who did not opt for payment in shares, and the balance paid to shareholders who chose payment of the dividend in shares, reached €7.6 million and was paid on June 2, 2017.

Note 7.1.4. Treasury shares

Purchases of treasury 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.

At November 30, 2017, the group held 291,426 shares, including 7,130 shares under the liquidity agreement. At November 30, 2016, the group held 1,748,555 treasury shares, including 35,824 shares under the liquidity agreement. During the fiscal year, the group delivered 481,299 free treasury shares to beneficiaries of the April 2016 and July 2015 share plans and canceled 947,136 treasury shares as part of the capital reduction (see Note 7.1.3 "Dividends").

Note 7.1.5. Minority interests

At November 30, 2017, minority interests on the balance sheet, amounting to €18.2 million, concerned 165 companies, including receivables in the amount of €1.5 million.

At November 30, 2016, minority interests on the balance sheet, amounting to €15.2 million, concerned 155 companies. The total amount of minority interests in default, amounted to €1.5 million.

In order to take into account the risk associated with the recovery of minority interests in default and of the current accounts in default of one of its 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 3.5.4 "Other"), in particular covering debit balance current accounts related to this partner, up to the amount of €6.4 million. This provision was maintained at November 30, 2017.

For fiscal year 2017, buybacks of shares of holders of minority interest securities of €2.3 million were recorded versus €1.5 million in 2016. The difference between the price paid and the corresponding reduction of any minority interests is offset in group share shareholders' equity.

Note 7.2. 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 the 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.

(in € thousands)	November 30, 2017	November 30, 2016
Attributable net income	59,118	46,034
Average number of shares outstanding	19,938,096	19,621,425
Adjustment for dilutive effect of share awards		
EARNINGS PER SHARE	€2.97	€2.35
DILUTED EARNINGS PER SHARE	€2.97	€2.35

The instruments issued by the group that could have a dilutive effect in the future were stock subscription warrants (121,874 shares) issued on December 3, 2007 that became void on December 3, 2017.

Given their exercise price, these instruments had no impact on the calculation of diluted earnings per share at November 30, 2016 and at November 30, 2017.

Note 7.3. Management of the risk to capital

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.

The group calculates its "Debt/Equity Ratio" as net financial debt to total shareholders' equity. Net financial debt at November 30, 2017 totaled €33.1 million, versus €85.1 million at November 30, 2016. Net financial debt relative to shareholders' equity was thus equal to 15% versus 58% at November 30, 2016.

Note 8. Provisions for liabilities and charges – Contingent liabilities – Guarantees

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.

This 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 made, 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 totally under the Company's control, or from current obligations resulting from past events, but which are not recognized because either 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 8.2. "Contingent Liabilities."

Non-current provisions primarily include the following:

- a provision for risks with respect to certain equity affiliates;
- provisions for commercial and legal risks;
- provisions for tax risks;
- and employee benefits.

Note 8.1. Provisions for liabilities and charges

The provisions can be analyzed as follows:

<i>(in € thousands)</i>	Provisions for associated risks	Provision for tax risk	Provisions for industrial relations risks	Provisions for other risks	Total
November 30, 2016	8,687	2,752	1,987	4,373	17,799
Change in the scope of consolidation					0
Expenses	62	1,089	1,942	3,476	6,569
Reversals used	(378)		(1,618)	(869)	(2,865)
Reversals unused	(161)		(360)	(1,246)	(1,767)
NOVEMBER 30, 2017	8,211	3,841	1,950	5,735	19,737
Of which due in less than one year	0	20	603	568	1,191

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 7.1.5. "Minority interests").

Provision for tax risk

After accounting audits in 2015, a proposed correction was communicated to a subsidiary of Kaufman & Broad group by the tax authorities.

Kaufman & Broad booked a provision for the full adjustment in the amount of €3.3 million. This is in litigation.

Provisions for industrial relations risks

The provision for industrial relations risks amounts to €0.8 million and covers disputes with former employees of the group.

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.

Provisions for other risks

The provision for commercial and legal risks essentially covers current disputes concerning customers or suppliers on projects delivered for €5.7 million.

Note 8.2. Contingent 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 or interest, with a guarantee being granted, for the most part, by the constructors and insurers. Currently, 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 of 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 a subsidiary of Kaufman & Broad SA 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, made without conditions, was recognized in the amount of €10.3 million of which -€1.7 million for fiscal year 2017. As the risk of cancellation of the long-term lease contract is considered low, no provision has been recorded in the accounts. However, considering the development of the legal proceedings and the progress of the marketing, additional costs of €4 million have been included in the operating budgets, of which €1 million was recorded for fiscal year 2017, explaining the negative change in margin.

Note 8.3. Guarantees and bonds issued

All the items detailed below are related to the normal course of our operations.

(in € thousands)	November 30, 2017	November 30, 2016
Performance Bonds ⁽¹⁾	332,139	373,961
Hoguet Act guarantees ⁽²⁾	220	220
Reservation indemnities ⁽³⁾	11,236	5,772
Other guarantees given ⁽⁴⁾	78,379	94,538
GUARANTEES AND BONDS GIVEN – BANKING INSTITUTIONS	421,974	474,491
Land non-use indemnities and works guarantees	20,720	14,487
Miscellaneous guarantees and bonds issued ⁽⁵⁾	9,563	21,127
GUARANTEES GIVEN – KAUFMAN & BROAD SA	30,283	35,614
TOTAL GUARANTEES AND BONDS ISSUED	452,257	510,105

- (1) Performance Bonds are provided to customers as part of sales-before-completion 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 set up 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 an option to take out a mortgage and a non-assignment of shares undertaking if the program is funded by a special-purpose entity, and cancels receivables accruing on the sale price.
- Performance Bonds are shown off 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 does not therefore 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.
- (2) Hoguet Act 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.
- (3) Order indemnities are bank guarantees given in lieu of security deposits in connection with land acquisition commitments.
- (4) These other guarantees cover primarily acquisitions of land and matters relating to roads and infrastructure.
- (5) These are miscellaneous guarantees and bonds given by Kaufman & Broad SA, primarily a lease guarantee on rents for the registered office.

Note 8.4. Works and other guarantees received

(in € thousands)	November 30, 2017	November 30, 2016
Guarantees on contracts for works	117,006	117,953
Buyers' guarantees received	14,812	85,645
TOTAL	131,818	203,598

As part of its equity interests, Kaufman & Broad obtained the usual liability guarantees to cover pre-acquisition risks.

Note 8.5. 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 9. Income tax

Note 9.1. Income tax

The tax liability consists of the current and deferred taxes of the group's consolidated companies.

Note 9.1.1. Breakdown of tax liability

At November 30, 2017, the group's detailed tax liability was as follows:

(in € thousands)	November 30, 2017	November 30, 2016
Current tax liability/ (income)	14,180	27,411
Provision for tax risk ⁽¹⁾	729	0
Deferred taxes	13,521	2,954
TOTAL TAX ON NET EARNINGS – EXPENSE/(INCOME)	28,430	30,365

(1) See Note 8.1. "Provisions for liabilities and charges."

Tax is calculated on attributable net income, since the entities with programs are fiscally transparent companies.

The result of the group's tax consolidation for 2017 was a profit of €48.2 million.

The current tax liability at November 30, 2017 includes a tax liability related to the 2017 tax consolidation of €16.6 million (before deduction of tax credits), the provision on the expected reimbursement of the 3%

contribution on the distribution of dividends for -€4.3 million, and the 3% tax connected with the dividend payout on the 2016 income to shareholders for €1.1 million.

Note 9.1.2. Analysis of the tax liability

Deferred taxes are calculated on the basis of the tax rates, i.e., 34.43% for 2017 and the following years.

The reconciliation between the theoretical tax expense and the actual tax liability is as follows:

(in € thousands)	November 30, 2017	November 30, 2016
PRE-TAX INCOME OF CONSOLIDATED COMPANIES	112,177	98,055
Applicable tax rate	34.43%	34.43%
THEORETICAL TAX – EXPENSE/(INCOME)	38,597	33,736
Tax on share of profit (loss) of equity affiliates	386	(73)
Impact of fiscally transparent non-controlling interests	(8,865)	(7,384)
Provision for tax audits ⁽¹⁾	729	0
Impact of permanent differences	(2,416)	4,086
TAX LIABILITY/(INCOME) OF THE GROUP	28,430	30,365

(1) See Note 8.1. "Provisions for liabilities and charges."

At November 30, 2017, permanent differences mainly included the provision on the expected reimbursement of the 3% levy on the dividend distribution for -€4.3 million and the 3% tax connected with the dividend payout on the 2016 income to shareholders for €1.1 million.

The share of the income (loss) of equity affiliates is presented before taxes in the income statement given 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.

Note 9.2. Current and deferred taxes

Deferred taxes are recognized when there are timing differences between the book values of the assets and liabilities and their tax bases, and on tax losses, according to the variable carry forward method. Deferred tax assets are recognized only when their recovery is probable.

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 sources of deferred tax are as follows:

- the application of the percentage of completion method to determine the margin on operations in the statutory financial statements;
- the application of the completion method to determine the margin on operations for tax purposes;

- the elimination of internal services;
- the deductibility of certain items of goodwill for tax purposes;
- timing differences relating to provisions for liabilities and charges;
- the Company recognizes its tax assets when they are recoverable, because of either tax policies or income projections.

Note 9.2.1. Breakdown of taxes

Current and deferred tax assets and liabilities are as follows:

(in € thousands)	November 30, 2017	November 30, 2016
Government – current tax (assets)	7,776	1,232
Government – current tax (liabilities)	0	(5,858)
Deferred tax liabilities	(60,105)	(45,471)
Deferred tax assets	4,227	
BALANCE AT THE END OF THE PERIOD	(48,102)	(50,097)

Current tax receivables at November 30, 2017 in the amount of €7.8 million correspond to the provision on the expected reimbursement of the 3% levy on the dividend distribution of €4.3 million, to the CICE

tax credit of €1.3 million, a carryback of €0.4 million, and installments paid by subsidiaries that are not members of the Kaufman & Broad tax consolidation group.

Note 9.2.2. Source of deferred taxes by type

(in € thousands)	Deferred tax base at November 30, 2017	Deferred taxes at November 30, 2017
Differences in recognition of real estate programs	164,363	(56,590)
Provisions and expenses with deferred deductibility	(14,581)	5,020
Tax deductible beneficial ownership	24,301	(8,367)
Hedging swaps	(124)	43
Other	614	(211)
BALANCE AT THE END OF THE PERIOD – LIABILITIES	174,573	(60,105)
Tax loss carry forwards (excl. tax consolidation)	(12,277)	4,227
BALANCE AT THE END OF THE PERIOD – ASSETS	(12,277)	4,227

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 included in inventories and recognition of income by completion in the fiscal accounts).

Deferred taxes do not include the capitalization of Concerto's tax losses in the amount of €13 million (basis).

Note 10. Fees of the Statutory Auditors

The main fees of the Group's Statutory Auditors are as follows:

(in € thousands)	Ernst & Young Audit				Deloitte & Associés			
	Amount (tax excl.)		%		Amount (tax excl.)		%	
	2017	2016	2017	2016	2017	2016	2017	2016
Semi-annual limited review and certification of the individual and consolidated financial statements								
Issuer: Kaufman & Broad SA	141	142	27%	23%	141	134	67%	42%
Fully consolidated subsidiaries	373	362	72%	58%	62	63	29%	20%
Services other than certification of financial statements								
Issuer: Kaufman & Broad SA	3	120	–	19%	8	120	–	38%
Fully consolidated subsidiaries				–				–
TOTAL	517	624	100%	100%	211	317	96%	100%

The fees of the other Statutory Auditors relating to the fully consolidated subsidiaries were €41 thousand in 2017 and €84 thousand in 2016.

Note 11. Events after the closing date

No significant event was recorded after the closing date.

Note 12. List of consolidated companies

The Consolidated Financial Statements of the Kaufman & Broad group at November 30, 2017 include the financial statements of 348 companies, 306 of which are fully consolidated companies and 42 are recognized by the Equity accounting method.

As of November 30, 2017, there is no non-consolidated company that could have a material impact on the Group's consolidated financial statements.

The main companies within the group are as follows:

Corporate name	Legal structure	Capital	% controlled by the group	Method of consolidation ⁽¹⁾
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	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 Savoies	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 & Broad 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
Residences Bernard Teillaud	SARL	840,000	100.00%	FC
Kaufman & Broad Bordeaux Rive Gauche	EURL	37,000	100.00%	FC
Kaufman & Broad Bretagne	SARL	1,000,000	100.00%	FC
Concerto Développement	SAS	500,000	99.60%	FC
Kaufman & Broad Languedoc Roussillon	SARL	100,000	100.00%	FC
Safaur	SAS	200,000	100.00%	FC
Serge Mas Promotion	SAS	282,289	86.79%	FC
Seri Ouest	SAS	561,400	80.00%	FC
Kaufman & Broad Poitou Charentes	SARL	100,000	100.00%	FC
Kaufman & Broad Grand Projets	SAS	1,000,000	100.00%	FC
Kaufman & Broad Innovation et Technologies	SAS	1,000	100.00%	FC
Saint-Mandrier-Pin Rolland	SAS	41,500	60.00%	FC
Kaufman & Broad Pyrénées-Orientales	SARL	100,000	100.00%	FC
Kaufman & Broad Bourgogne Franche Comté	SARL	100,000	100.00%	FC

(1) FC = Full Consolidation, EA = Equity accounting.

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 supports a real estate program with revenues, calculated on the basis of the percentage-of-completion method, that exceed €1 million in 2017.

Corporate name	Legal structure	Capital	% controlled by the group	Method of consolidation ⁽¹⁾
SCI PARIS – 31 AV. MENDES FRANCE	SCI	1,000	100.00%	FC
SCI PARIS 17 ^e – 4 RUE MOREL	SCI	1,000	100.00%	FC
SCI CLICHY – 5 BD VICTOR HUGO	SCI	1,000	100.00%	FC
SCI PUTEAUX 148 RUE DE LA REPUBLIQUE	SCI	1,500	51.00%	FC
SCI AIX LA DURANNE – QUARTIER DE LA DURANNE HAUTE – T2	SCI	1,000	100.00%	FC
SCI AIX LA DURANNE – QUARTIER DE LA DURANNE HAUTE – T3	SCI	1,000	100.00%	FC
SCI ROMAINVILLE – 98/104 RUE DE LA RÉPUBLIQUE	SCI	1,000	55.00%	FC
SCI MARSEILLE 10 ^e – 121 BD DE SAINT LOUP	SCI	1,000	100.00%	FC
SCI MONTFERMEIL PAUL BERT	SCI	1,000	60.00%	FC
SCCV LE MONTCALM	SCCV	1,500	51.00%	FC
SCCV ALFORTVILLE VAILLANT COUTURIER	SCCV	1,000	100.00%	FC
SCCV GREENWOOD	SCCV	1,500	51.00%	FC
SCCV THORIGNY SUR MARNE – RUE CORNILLLOT	SCCV	1,000	100.00%	FC
SCCV BRETIGNY BOIS BADEAU	SCCV	1,500	100.00%	FC
SCCV BRIE COMTE ROBERT – RUE MOZART	SCCV	1,000	60.00%	FC
SCCV LES HAUTS DE LA HAIE VIGN	SCCV	1,000	50.00%	FC
SCI SAINT-PIERRE DU PERRAY LES RIVES DU LAC	SCI	1,000	85.00%	FC
SCCV LES RESIDENCES DES DUNES	SCCV	1,000	100.00%	FC
SCCV VILLECRESNES – RUE DE BOURGOGNE	SCCV	1,000	100.00%	FC
SCCV PLAISIR RESIDENCE PAUL VERLAINE	SCCV	1,000	50.01%	FC
SCI FRANCONVILLE – CHAUSSEE JULES CESAR	SCI	1,000	55.00%	FC
SCI BLAGNAC – 118 ROUTE DE GRENADE	SCI	1,000	70.00%	FC
SCI TOULOUSE 23 CHEMIN DES SEPT DENIERS	SCI	1,000	70.00%	FC
SCI TOULOUSE – ZAC BORDEROUGE ILOT 6.1	SCI	1,000	80.00%	FC
SCCV CHATEAU LEVAT	SCCV	1,000	51.00%	FC
SCI MONTPELLIER – AVENUE VILLENEUVE D'ANGOULEME "EAST PARK"	SCI	1,000	51.00%	FC
SCI CASTANET TOLOSAN- 104 AVENUE DE LAURAGAIS	SCI	1,000	51.00%	FC
SCCV SOPPIM BRETAGNE 4	SCCV	1,500	98.00%	FC
SCCV PAVILLY	SCCV	1,500	98.00%	FC
SCCV SOPPIM PAYS DE LA LOIRE	SCCV	1,524	98.00%	FC

(1) FC = Full Consolidation, EA = Equity accounting.

Corporate name	Legal structure	Capital	% controlled by the group	Method of consolidation ⁽¹⁾
SCCV SOPPIM SAUTRON	SCCV	1,500	98.00%	FC
SCCV SOPPIM NORMANDIE 5	SCCV	1,500	98.00%	FC
SCI BORDEAUX – 62 RUE LUCIEN FAURE	SCI	1,000	50.10%	FC
SCI MERIGNAC 109 AVENUE HENRI VIGNEAU – AU FIL DES SAISONS	SCI	1,000	51.00%	FC
SCCV TRENTIN 47	SCCV	1,000	51.09%	FC
SCCV EDGAR DEGAS	SCCV	1,000	51.09%	FC
SCCV BOULEVARD D'ATLANTA	SCCV	1,000	52.16%	FC
SCI JEAN DUVERT 15	SCI	1,000	51.09%	FC
SCCV CHEMIN DE TUCAUT 207	SCCV	1,000	51.09%	FC
SCCV WAMBRECHIES CENTRE RUE DE QUESNOY	SCCV	1,000	100.00%	FC
SCI LA GRANDE ALLEE	SCI	2,000	51.00%	FC
SCCV CHEMIN DE MOULIS 45	SCCV	1,000	60.00%	FC
SCI LAC	SCI	2,000	51.00%	FC
SCI SCHILLIK	SCI	1,000	50.00%	FC
SCCV PUTEAUX 80-82 RUE DE VERDUN	SCCV	1,000	60.00%	FC
SCCV BANDOL – 963 AVENUE DE REGANEU	SCCV	1,000	51.00%	FC
SCI CONCERTO GRAND SUD	SCI	1,000	91.10%	FC
SCI CONCERTO ARES	SCL	1,000	91.10%	FC
SCCV VILLEPREUX – RUE DE LA PEPINIERE	SCCV	1,000	66.70%	FC
SCCV ONFROY	SCCV	1,500	98.00%	FC
SARL PIERRE ET RANCE	SARL	8,000	99.00%	FC
SCCV LA SAGESSE	SCCV	1,500	100.00%	FC
SNC SERI OUEST AMENAGEMENT	SNC	1,524	98.00%	FC
SCCV MAUPAS	SCCV	1,500	98.00%	FC
SCCV SAFRAN	SCCV	1,500	98.00%	FC
SCCV SOPPIM DUNANT	SCCV	1,500	98.00%	FC
SCCV SOPPIM TERE0	SCCV	1,500	98.00%	FC
SCCV SOPPIM ROUEN	SCCV	1,500	99.00%	FC
SCCV SOPPIM HONFLEUR	SCCV	1,500	98.00%	FC
SCI SAINT-ORENS DE GAMEVILLE – 36 AVENUE DE LA MARQUEILLE	SCI	1,000	60.00%	FC
SCCV IMPASSE DAGUIN 47	SCCV	1,000	60.00%	FC
SCCV IMPASSE BARTHE	SCCV	1,000	60.00%	FC
SCCV LAUNAGUET – 218 CHEMIN DES IZARDS	SCCV	1,000	60.00%	FC
SNC BORDEAUX – 2 AVENUE DE FETILLY	SNC	1,000	50.10%	FC
SCI MERIGNAC – 1 RUE DES JACINTHES	SCI	1,000	100.00%	FC

(1) FC = Full Consolidation, EA = Equity accounting.

4.2. Statutory Financial Statements at November 30, 2017

Annual financial statements at November 30, 2017

Income Statement

<i>(in € thousands)</i>	Section	November 30, 2017	November 30, 2016
Revenues	4.2.2.13	3,604	12,021
Other purchases and external charges	4.2.2.14	(4,477)	(6,582)
Wages and salaries		–	–
Taxes		(612)	(725)
Amortization, depreciation and provisions	4.2.2.8	(3,760)	(13,050)
Reversal of provisions and expense transfer		13,743	1,412
Other operating charges and revenues	4.2.2.8	(283)	(353)
OPERATING INCOME		8,215	(7,278)
Profits allocated and losses incurred	4.2.2.15	82,470	84,438
Net financial income (including dividends from subsidiaries)	4.2.2.16	1,398	13,917
CURRENT OPERATING INCOME		92,083	91,077
Non-recurring income (loss)	4.2.2.17	(13,423)	(839)
Corporate income tax	4.2.3	(5,545)	(15,594)
NET INCOME		73,115	74,644

Balance Sheet

Assets

<i>(in € thousands)</i>	Section	November 30, 2017	November 30, 2016
Intangible assets	4.2.2.2	–	–
Property, plant and equipment	4.2.2.3	122	123
Financial assets	4.2.2.4	493,207	398,956
NON-CURRENT ASSETS		493,329	399,080
Inventories		–	–
Receivables	4.2.2.5	111,604	115,636
Treasury shares	4.2.2.6	9,022	53,585
Cash and cash equivalents		32,396	108
Prepaid expenses		62	46
CURRENT ASSETS		153,084	169,375
TOTAL ASSETS		646,413	568,455

Equity and liabilities

(in € thousands)	Section	November 30, 2017	November 30, 2016
Authorized capital		5,479	5,418
Premiums and reserves		288,417	244,176
Net income		73,115	74,644
SHAREHOLDERS' EQUITY	4.2.2.7	367,011	324,238
Provisions for liabilities and charges	4.2.2.8	10,878	20,611
Financial debt	4.2.2.9	252,397	200,090
Trade payables and related accounts		2,366	566
Other payables	4.2.2.10	13,760	22,950
TOTAL EQUITY AND LIABILITIES		646,413	568,455

4.2.1. General principles

The fiscal year lasts 12 months, from December 1 to November 30.

The annual financial statements were prepared in accordance with current French accounting regulations (General Chart of Accounts and the Commercial Code).

4.2.1.1. Property, plant and equipment and intangible fixed assets

Property, plant and equipment and intangible fixed assets are posted to the balance sheet at acquisition cost. Amortization and depreciation are calculated on a straight-line basis according to the expected life of the asset concerned.

The depreciation periods generally used are as follows:

- IT licenses: 3 years;
- fittings, fixtures, facilities: 10 years;
- office furniture: 10 years.

4.2.1.2. Financial assets

The gross amount of the equity investments of the companies listed in the balance sheet is equal to their acquisition cost. A provision is recognized when the book value is lower than the acquisition value.

The book value is determined by reference to the value in use of each company. This value in use is measured on the basis of the share of the net equity held, which includes a share in the income from programs hosted by the Company. Account is also taken of consolidated goodwill and the earnings outlook of the subsidiaries.

To assess the value in use 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:

- earnings forecasts for real estate developments;
- business plans for future fiscal years.

Selling price and take-up rate assumptions based on the earnings forecast for real estate developments, as well as the actual budget results for the medium-term provisional budgets used to carry out impairment tests, may be impacted by the economic environment and regulatory changes, particularly government tax incentives.

Receivables relating to equity affiliates correspond to current account advances to group companies.

The net income from the tax-transparent subsidiaries (construction and sale partnerships, or other business partnerships) of which Kaufman & Broad SA is a partner, becomes immediately and entirely vested in Kaufman & Broad SA at the end of the fiscal year. At year-end, the shares of 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, and are categorized by purpose in accordance with the decision to allocate the shares. The treasury shares held for the purposes of the liquidity agreement, or not yet allocated, are valued at their acquisition price. A provision is recorded in the event of a loss compared to the average stock market price during the last month of the fiscal year. The treasury shares allocated under a bonus share plan are kept at their balance sheet value on the allocation date.

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 current status of the 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 proceedings are being litigated in court 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 used in hedging transactions are not recognized.

4.2.1.6. Share of profits and losses incurred

As from the 2011 fiscal year, most of the group's subsidiaries have opted for the preferred percentage-of-completion method for the recognition of revenues and of the margin on real estate programs in their annual financial statements.

Recognition of revenues and margin is now carried out pro rata to technical completion, for which the starting point is the purchase of the land and the progress of sales (signed deeds of sale) 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 (real estate partnerships) and SNCs (commercial partnerships), 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 borne by the consolidated companies (parent and subsidiary), as they would in the absence of tax consolidation, after deduction of their previous losses. 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 company included in the scope of consolidation are repaid by Kaufman & Broad SA (60 days later).

4.2.2. Analysis of the financial statements

4.2.2.1. Significant events

Kaufman & Broad SA shares admitted to the "long only" Deferred Settlement Service (SRD)

As part of its annual review of its deferred settlement service (*Service de Règlement Différé* – SRD), Euronext informed Kaufman & Broad SA that its securities were eligible for the "long only" SRD effective December 28, 2016. This status is granted to securities listed on Euronext Paris with a minimum daily transaction volume of €100,000. It highlights and supports the growing liquidity and attractiveness of Kaufman & Broad securities for investors. Furthermore, on February 20, 2017, Kaufman & Broad announced that its shares are eligible for the PEA-PME plans created by the 2014 Budget Act of December 29, 2013; the terms of the plans are set out in the implementing provisions of Decree 2014-283 of March 4, 2014.

Payment in shares of the dividend for the fiscal year ended November 30, 2016

The Shareholders' Meeting of Kaufman & Broad SA, held on May 11, 2017, decided to propose to shareholders an option of payment in shares of the dividend for the fiscal year ended November 30, 2016. The issue price of these new shares was set at €30.13, corresponding to 90% of the average listed price of Kaufman & Broad stocks on the Euronext Paris regulated market during the twenty trading days preceding the day of that Shareholders' Meeting, less the net amount of the dividend of €1.85 per share, rounded up to the nearest euro cent. For the purpose of paying the dividend in shares, 947,146 new shares were issued, representing 4.55% of the share capital and 4.57% of the voting rights of Kaufman & Broad SA, based on the share capital and voting rights as of May 31, 2017. The settlement and delivery of the shares and their admission to trading on the Euronext Paris regulated market took place on June 2, 2017.

At May 31, 2017, and in order to keep the number of shares unchanged on a fully diluted basis, Kaufman & Broad proceeded to cancel 947,136 treasury shares. This cancellation of €29.9 million affected

the “Other reserves” item. The authorized capital remained unchanged following this operation.

The total cash dividend paid to shareholders who did not opt for payment in shares, and the balance paid to shareholders who chose payment of the dividend in shares, reached €7.6 million and was paid on June 2, 2017.

Capital increase reserved for “KB ACTIONS 2017” Kaufman & Broad Employees

On September 21, 2017, Kaufman & Broad SA announced the launch of its “KB Actions 2017” shareholding offer with leverage and investment guarantee, reserved for group employees who are members of the savings plan. On November 30, 2017, Kaufman & Broad SA recognized the increase of its share capital resulting from subscriptions to the KB Actions 2017 offer.

The offer was very successful with a membership rate of 65.4% for eligible employees. A total of 236,496 shares were thus subscribed through the KB Actions 2017 FCPE for an amount of €7,357,390.56.

As of November 30, 2017, the capital increase resulting from the offer brings the share of capital held by the group’s employees through the various shareholding schemes to nearly 14% (including the shares held in the KB Actions 2017 FCPE and Kaufman & Broad Actionnariat FCPE offered under the savings plan, shares resulting from the free allocation of shares, and shares held by the company Artimus Participations).

The 236,496 new shares issued under the offer are common stock, fully comparable to the existing shares and have immediate dividend rights.

At November 30, 2017, Kaufman & Broad’s authorized capital amounted to €5,479,119.10, divided into 21,073,535 shares of common stock with a par value of €0.26 each. The weighted average number of common stock outstanding totaled 19,938,096 shares at November 30, 2017, excluding treasury shares, compared to 19,621,425 shares, excluding treasury shares, at November 30, 2016.

Refinancing the bank debt of Kaufman & Broad SA

On May 18, 2017, as part of a private placement with institutional investors in Europe, Kaufman & Broad issued a “Euro PP” bond for €150 million. This private placement breaks down into a €50 million seven-year tranche maturing in May 2024 at an annual fixed rate of 2.879% payable on May 31 of each year, and a €100 million eight-year tranche maturing in May 2025 with a fixed annual interest rate of 3.204% payable on May 31 of each year. This loan was used by the Group to refinance €100 million of its existing Senior bank debt and to obtain new financial resources to support its growth.

Sale of the balance of the equity interests of PAI Partners in Kaufman & Broad SA

In early 2016, PAI Partners announced that it wanted to reduce its equity interest in Kaufman & Broad, in which the investment fund then held 88.64% of the share capital via the companies Financière Gaillon 8 and Financière Daunou 10. At November 30, 2016, Financière Gaillon 8 held a 35.76% equity interest in Kaufman & Broad SA’s share capital and 55.61% of the voting rights, and the free float amounted to 48.16% of Kaufman & Broad SA’s share capital. In December 2016, Financière Gaillon 8 sold 62,800 Kaufman & Broad SA shares for €2 million to Artimus Participations, and in February 2017 sold 3,700,000 Kaufman & Broad SA shares representing 17.76% of Kaufman & Broad SA authorized capital via an accelerated private placement for €133 million. As a result of these sales, Financière Gaillon 8 held 3,688,585 shares in Kaufman & Broad SA representing 17.70% of Kaufman & Broad SA share capital. Other disposals occurred thereafter. As a result, as of November 30, 2017, the PAI Partners fund no longer holds any shares or voting rights of Kaufman & Broad SA.

Dividends received

The income or loss from Kaufman & Broad SA’s holdings at November 30, 2017 included the dividends paid by two subsidiaries in the amount of €8.5 million (see Note 4.2.2.16.).

4.2.2.2. Intangible assets

(in € thousands)

	November 30, 2017	November 30, 2016
Software licenses	274	274
Depreciation and amortization	(274)	(274)
NET INTANGIBLE ASSETS	-	-

4.2.2.3. Property, plant and equipment

(in € thousands)

	November 30, 2017	November 30, 2016
Facilities and fittings	184	184
Depreciation and amortization	(62)	(60)
FACILITIES AND FITTINGS	122	123
Office and IT equipment – furnishings	601	601
Depreciation and amortization	(601)	(601)
OFFICE AND IT EQUIPMENT – FURNISHINGS	-	-
NET PROPERTY, PLANT AND EQUIPMENT	122	123

4.2.2.4. Financial assets

(in € thousands)	November 30, 2017	November 30, 2016
Equity interests	325,963	325,724
Receivables related to equity interests and loans ⁽¹⁾	171,216	78,558
Other financial assets ⁽²⁾	1,353	248
Impairment ⁽³⁾	(5,325)	(5,574)
NET NON-CURRENT FINANCIAL ASSETS	493,207	398,956

- (1) Receivables relating to equity interests correspond to current account advances for business development to subsidiaries of Kaufman & Broad. The increase mainly reflects the €109 million advance granted to Kaufman & Broad Financement SNC on November 30, 2017 (versus a receivable of €43 million at November 30, 2016). Kaufman & Broad Financement has been set up to coordinate and centralize all cash management needs of Kaufman & Broad group companies.
- (2) Other investments and loans are largely composed of deposits and guarantees, including the €1.3 million in cash made available by Kepler Bank pursuant to the share purchase agreement.
- (3) At November 30, 2017, the provision for securities of the subsidiaries concerned primarily Kaufman & Broad Financement (€2.2 million), Kaufman & Broad Bretagne (€2.6 million), Urbismart (€0.2 million) and Kaufman & Broad Normandie (€0.1 million).

4.2.2.5. Receivables

(in € thousands)	November 30, 2017	November 30, 2016
Value added tax	367	133
Territorial Economic Contribution	79	–
Corporate income tax	7,461	–
Current accounts ⁽¹⁾	99,435	101,856
Intra-group customers – Invoices to be issued ⁽²⁾	4,228	13,617
Other debtors	34	30
RECEIVABLES	111,604	115,636

- (1) This sum comprises €84.1 million, being the share of the revenue up-streamed to the parent (versus €87.1 million at November 30, 2016), and €7.3 million, being the current accounts from tax consolidation with other group companies (see Note 4.2.3.), as well as the amount of €7.9 million for consolidated VAT current accounts.
- (2) This sum corresponds to intra-group re-invoicing relating to the bonus share awarded to employees of the Kaufman & Broad group.

(in € thousands)	November 30, 2017	In one year at most	In more than one year
Value added tax	367	367	
Territorial Economic Contribution	79	79	
Corporate income tax ⁽¹⁾	7,461	7,461	
Current accounts ⁽²⁾	104,695	44,923	59,772
Intra-group customers – Invoices to be issued	4,228	4,228	
Other debtors	34	34	
RECEIVABLES	116,864	57,092	59,772

- (a) This is accrued income recorded on the 3% levy on the dividends paid for €4.3 million and the corporate income tax receivable recorded as taxable income of November 30, 2017 for €2.5 million.
- (b) The proportion at more than one year corresponds to the share of the increases in non-distributable income of the subsidiaries in the 12 months, taking into account the projected completion date of construction works for the programs concerned, in accordance with the provisions of the French Construction and Housing Code (see Note 4.2.1.6.).

4.2.2.6. Treasury shares

(in € thousands)	November 30, 2017	November 30, 2016
Treasury shares	9,022	53,585
Provisions for impairment of treasury shares	—	—
TREASURY SHARES (VALUE NET OF IMPAIRMENT)	9,022	53,585

At November 30, 2017, there were 291,426 treasury shares including:

- 134,919 shares allocated to bonus share plans, in the amount of €4.0 million;
- 149,377 shares held for future use as payment or exchange in external growth transactions, in the amount of €4.7 million;
- the 7,130 shares held under the Liquidity agreement amounting to €0.3 million.

As of November 30, 2016, the group held 1,748,555 shares, of which 525,430 were allocated to cover bonus share plans, 1,187,301 shares for which no allocation decision had been made, and 35,824 under the Liquidity agreement.

During the fiscal year, the group delivered 481,299 free treasury shares to beneficiaries of the April 2016 and July 2015 share plans and canceled 947,136 treasury shares as part of the capital reduction (Note 4.2.2.1, "Significant events").

4.2.2.7. Shareholders' equity

The change in shareholders' equity is broken down and analyzed as follows:

(in € thousands)	Authorized capital	Legal reserve	Stock warrants	Share premium	Other reserves	Retained earnings	Net income	Shareholders' equity
NOVEMBER 30, 2015	5,612	979	781	975	30,656	209,289	94,911	343,202
Capital reduction	(194)	—	—	—	(13,789)	—	—	(13,983)
Allocation of 2015 profit or loss	—	—	—	—	—	94,911	(94,911)	—
Distributions	—	—	—	—	—	(79,626)	—	—
Net income for fiscal year	—	—	—	—	—	—	74,644	(79,626)
NOVEMBER 30, 2016	5,418	979	781	975	16,867	224,574	74,644	324,238
Capital increase and distribution	246	—	—	28,291	—	38,573	(74,644)	(7,534)
Capital reduction	(246)	—	—	—	(16,867)	(13,051)	—	(30,164)
Capital increase	61	—	—	7,296	—	—	—	7,357
Distributions	—	—	—	—	—	—	—	—
Net income for fiscal year	—	—	—	—	—	—	73,115	73,115
NOVEMBER 30, 2017	5,479	979	781	36,562	0	250,095	73,115	367,011

In addition to the legal reserve, the Company has reserves for an amount at least equal to the value of the shares it holds.

Change in capital

(in €)	November 30, 2016	Increase	Reduction	November 30, 2017
Number of shares	20,837,039	1,183,632	(947,136)	21,073,535
At par value	0.26	0.26	0.26	0.26
CAPITAL	5,417,630	307,744	(246,255)	5,479,119

At November 30, 2017, Kaufman & Broad's authorized capital amounted to €5,479,119.10, divided into 21,073,535 shares of common stock with a par value of €0.26. The share capital was impacted by the issuance of 947,136 new shares in consideration for the 2016 dividend and by the reduction of capital by cancellation of 947,136 treasury shares on May 31, 2017. In addition, on November 30, 2017,

Kaufman & Broad SA recognized the increase of its share capital resulting from subscriptions to the KB Actions 2017 offer. A total of 236,496 shares were thus subscribed through the KB Actions 2017 FCPE for an amount of €7,357,390.56. (Note 4.2.2.1 "Significant events").

Bonus share plan

Under the April 15, 2016 bonus share plan, 376,199 bonus shares were definitively awarded on April 15, 2017, at the end of the vesting period, and were delivered. Under the July 7, 2015 bonus share plan,

105,100 bonus shares were definitively awarded on July 7, 2017, at the end of the vesting period, and were delivered.

As authorized by the Shareholders' Meeting of May 11, 2017, the Board of Directors awarded 90,788 additional bonus shares at its meeting on May 11, 2017 and has awarded the balance of the bonus shares of the plan authorized on April 15, 2016.

Details concerning the main features of the group's plans in effect at November 30, 2017 are set forth in the table below:

Bonus share plan	May 11, 2017	May 11, 2017
Date of authorization by the Extraordinary Shareholders' Meeting	April 15, 2016	May 11, 2017
Total number of bonus shares that may be awarded	400,000	250,000
Date of the Board of Directors' meeting awarding the shares	May 11, 2017	May 11, 2017
Number of beneficiaries	814	814
Types of shares	Existing	Existing
Number of bonus shares awarded	23,801	90,788
Lapsed shares	766	3,185
Shares outstanding at November 30, 2017	23,035	87,603
Price on the award date	€37.75	€37.75
Date of vesting	May 11, 2019	May 11, 2019
Date available	May 11, 2021	May 11, 2021

Stock subscription warrants

The instruments issued by the group that could have had a dilutive effect in the future were stock subscription warrants (121,874 shares) issued on December 3, 2007 that became void on December 3, 2017.

4.2.2.8. Provisions for liabilities and charges

(in € thousands)	November 30, 2017	November 30, 2016
Provision for bonus share awards ⁽¹⁾	3,524	13,617
Provision for tax liabilities	—	—
Provision for subsidiary liabilities ⁽²⁾	6,429	6,132
Other provisions for liabilities and charges	925	863
PROVISIONS FOR LIABILITIES AND CHARGES	10,878	20,611

(1) Provision created up to the capital loss that the Company will incur on delivery of the bonus shares to the employees.

(2) Provision in the amount of the net negative position of the subsidiary Kaufman & Broad Normandie (€6 million).

(in € thousands)	November 30, 2016	Increase	Reversals used	Reversals unused	November 30, 2017
Provision for bonus shares awarded	13,617	3,524	13,617		3,524
Provision for subsidiary liabilities	6,132	298			6,429
Other provisions for liabilities and charges	863	62			925
PROVISIONS FOR LIABILITIES AND CHARGES	20,611	3,884	13,617		10,878

4.2.2.9. Financial debt

(in € thousands)	November 30, 2017	November 30, 2016
Syndicated bank credit line	100,000	200,000
Bond	150,000	
Credit facilities utilized		7
Interest accrued on borrowings	2,397	83
FINANCIAL DEBT	252,397	200,090

Kaufman & Broad SA has access to a syndicated banking credit line and a new bond the terms and conditions of which are set forth in detail below.

The main uses of financial debt

(in € thousands)	Debt capacity	Utilization at November 30, 2017	Repayment	Rate ⁽¹⁾
Bond	150,000	150,000	50 million with bullet repayment in 2024 100 million with bullet repayment in 2025	2.879% fixed 3.204% fixed
Facility B	100,000	100,000	Bullet repayment in April 2021	E ⁽³⁾ + 275 to 300 bps
RCF ⁽²⁾	100,000	—	Bullet repayment in April 2021	E ⁽³⁾ + 275 bps
TOTAL	350,000	250,000	—	—

(1) 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.

(2) Revolving Credit Facility.

(3) The margin applicable depends on the Financial leverage ratio level.

Bond

On May 18, 2017, as part of a private placement with institutional investors in Europe, Kaufman & Broad issued its first "Euro PP" bond for €150 million. This private placement breaks down into a €50 million seven-year tranche maturing in May 2024 at an annual fixed rate of 2.879% payable on May 31 of each year, and a €100 million eight-year

tranche maturing in May 2025 with a fixed annual interest rate of 3.204% payable on May 31 of each year.

This bond enabled the group to repay €100 million in existing senior debt early and provide the group with new financial resources to support its growth.

Adjustment of financial ratios

In the accounting half-year periods starting from November 2017 until the bond is redeemed, the group is required to observe two ratios, calculated on a consolidated basis, with levels defined as follows:

Ratios at each six-month period-end	Threshold at November 30, 2017	Ratio at November 30, 2017
Financial leverage ratio ⁽¹⁾	≤ 3.0	0.28
Debt/Equity ratio ⁽²⁾	≤ 2.5	0.13

(1) Net Financial Debt (a), 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, in particular: 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 liabilities (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) Net financial Debt (a), divided by adjusted shareholders' equity (c):

(c) adjusted shareholders' equity = consolidated shareholders' equity at November 30, 2016; plus aggregated income from December 1, 2016 to the end of the relevant quarter; less dividends paid for the relevant period; plus the aggregated impairment charge for the period from December 1, 2016 to the end of the relevant quarter.

This transaction also allows the group to diversify its sources of funds, benefit from favorable market conditions, and substantially lengthen the average maturity of its debt.

Senior Facilities Agreement

On April 4, 2016, Kaufman & Broad SA signed a Senior Facilities Agreement with a syndicate of international banks ("2016 Senior Facilities Agreement"). In the first half of 2017, following the issuance of the new bond, the group prepaid Tranche A in full for €50 million and Tranche B for €50 million.

As a result, at November 30, 2017 the group has syndicated loans under a Tranche B (the "Tranche B") for a residual principal amount of €100 million with a 2021 maturity as well as a revolving credit facility (the "Revolving Credit Facility") for a principal amount of €100 million, i.e., a total maximum amount of €200 million.

As of November 30, 2017, the Company had not started to utilize its revolving credit line.

Under the 2016 Senior Facilities Agreement, the loan under Tranche B is repayable on the maturity date, five years following the Transaction settlement date.

The 2016 Senior Facilities Agreement provides that the payment of interest is based on an interest rate equal to Euribor (with a floor at 0% per annum) plus a margin which would depend on the group's leverage ratio, as follows:

Financial leverage ratio ⁽¹⁾	RCF ⁽²⁾	Tranche B
Superior to 1.0	Margin of 2.75% per year	Margin of 3.00% per year
Lower than or equal to 1.0	Margin of 2.50% per year	Margin of 2.75% per year

(1) Net Financial Debt (a), 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, in particular: 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 liabilities (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) Revolving Credit Facility.

Adjustment of financial ratios

In the accounting half-year periods from November 2016 until the Senior Facilities Agreement expires in 2021, the group is required to observe two ratios, calculated on a consolidated basis, with levels defined as follows:

Ratios at each six-month period-end	Threshold at November 30, 2017	Ratio at November 30, 2017
Financial leverage ratio ⁽¹⁾	≤ 3.0	0.28
Debt/Equity ratio ⁽²⁾	≤ 2.5	0.13

(1) Net Financial Debt (a), 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, in particular: 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 liabilities (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) Net financial Debt (a), divided by adjusted shareholders' equity (c):

- (c) adjusted shareholders' equity = consolidated shareholders' equity at November 30, 2015; plus aggregated income from December 1, 2015 to the end of the relevant quarter; less dividends paid for the relevant period; plus the aggregated impairment charge for the period from December 1, 2015 to the end of the relevant quarter.

The agreement provides for a "cash sweep" clause in certain conditions.

The 2016 Senior Facilities Agreement requires the granting of any security interest to guarantee the amounts owed by the Company acting as Borrower. Kaufman & Broad Homes SAS and Kaufman & Broad Europe SAS grants guarantees (subject to the usual limitations protecting their corporate interest) in respect of loans borrowed by the Company under the 2016 Senior Facilities Agreement.

The 2016 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 2016 Senior Facilities Agreement, a change in control would occur (i) in the event of a sale, transfer or other disposal (other than a merger, consolidation or similar arrangement), in one or more linked transactions, of some or all of the group's assets or (ii) if a person or group of persons acting in concert (other than PAI Partners or any person acting as guarantor bank in the partial sale of its equity interest by Financière Gaillon 8 or any other shareholder approved by the majority of the lenders) acquires (directly or indirectly) more than 33.33% of the voting rights in Kaufman & Broad, and the mandatory public offering resulting from exceeding that threshold: (a) was not recommended by the Company's Board of Directors or (b) was recommended by the Company's Board of Directors and was completed successfully.

Repayment schedule

(in € thousands)	November 30, 2017	Less than one year	1 to 5 years repayment schedule	More than 5 years
Syndicated line of credit	100,000		100,000	
Bond	150,000			150,000
Credit facilities utilized				
Accrued interest	2,397	2,397		
GROSS FINANCIAL DEBT	252,397	2,397	100,000	150,000

4.2.2.10. Other payables

(in € thousands)	November 30, 2017	November 30, 2016
Value added tax	2,179	5,744
Corporate income taxes ⁽¹⁾		5,336
Other taxes	60	150
Other miscellaneous receivables	300	300
Current accounts ⁽²⁾	11,221	11,419
OTHER PAYABLES	13,760	22,950

(1) The corporate income tax for fiscal year 2017 generated a receivable (see Note 4.2.2.5)

(2) This amount comprises €7.8 million, corresponding to the current accounts of the member companies within the scope of VAT consolidation (compared to €4.5 million at November 30, 2016), and €2.6 million for the cash advances granted by group companies (compared to €6.1 million at November 30, 2016).

(in € thousands)	November 30, 2017	≤ 1 year	1 to 5 years	More than 5 years
Value added tax	2,179	2,179		
Corporate income tax				
Other taxes	60	60		
Other miscellaneous receivables	300	300		
Current accounts	11,221	9,111	2,110	
OTHER PAYABLES	13,760	11,650	2,110	

4.2.2.11. Amounts due to or owed by equity affiliates

(in € thousands)	November 30, 2017	November 30, 2016
Receivables from equity interests	171,216	78,558
Other receivables	103,684	115,473
Current accounts	(11,221)	(11,419)
RELATED COMPANIES RECEIVABLES AND PAYABLES	263,679	182,611

4.2.2.12. Accrued expenses and revenues

<i>(in € thousands)</i>	November 30, 2017	November 30, 2016
Borrowings and financial debts	(2,397)	(83)
Trade payables and related accounts	(2,352)	(518)
Tax and Social Security liabilities		(90)
TOTAL PAYABLES	(4,749)	(692)

The amount listed under trade payables and related accounts corresponds primarily to fees not yet invoiced.

<i>(in € thousands)</i>	November 30, 2017	November 30, 2016
Other receivables ⁽¹⁾	4,228	13,617
TOTAL RECEIVABLES	4,228	13,617

(1) These are invoices to be issued relating to bonus share plans for employees of the Kaufman & Broad group.

4.2.2.13. Revenues

<i>(in € thousands)</i>	November 30, 2017	November 30, 2016
Provision of services	3,604	12,021
TOTAL	3,604	12,021

Revenues correspond, in particular, to the re-invoicing of operating costs incurred in 2017 by Kaufman & Broad SA on behalf of group companies or some of its shareholders, namely Financière Gaillon 8 and Artimus Participations, and to the re-invoicing by Kaufman & Broad to

the Intercompany Partnership, an entity employing the Kaufman & Broad group employees, for expenses related to the future delivery of bonus shares awarded during the year, expenses which are lower for 2017 than in 2016.

4.2.2.14. Other purchases and external charges

<i>(in € thousands)</i>	November 30, 2017	November 30, 2016
Legal fees and arrangement costs ⁽¹⁾	(1,350)	(4,029)
Audit fees	(267)	(596)
Internal services	(681)	(847)
Other expenses	(2,179)	(1,110)
TOTAL	(4,477)	(6,582)

(1) This represents €524 thousand in fees related to the implementation of the bond issue, €269 thousand in costs related to the capital increase reserved for "KB Actions 2017" Kaufman & Broad employees (see Note 4.2.2.1. "Significant events").

4.2.2.15. Profits allocated and losses incurred

This item records the income from program support companies for a net total of €82.5 million as at November 30, 2017, compared with €84.4 million as at November 30, 2016, including the portions of losses amounting to -€1.5 million at November 30, 2017 compared to a -€3.1 million loss at November 30, 2016.

4.2.2.16. Financial income

(in € thousands)	November 30, 2017	November 30, 2016
Dividends received ⁽¹⁾	8,487	17,779
Net change in provisions ⁽²⁾	(3)	1,693
Financial income relating to the early repayment of the Senior B and C lines		–
Net interest expenses ⁽³⁾	(7,086)	(5,555)
TOTAL	1,398	13,917

(1) The dividends and income from holdings consist of dividends received from Kaufman & Broad Europe and Kaufman & Broad Homes.

(2) In 2017 this amount included:

- an allocation of €0.4 million for impairment of Kaufman & Broad Financement securities;
- a reversal of €0.6 million for impairment of Kaufman & Broad Bretagne securities;
- an allocation of €0.1 million for impairment of Urbismart securities.

(3) Financial interest corresponds to interest incurred on borrowings and swaps and on intra-group current accounts.

4.2.2.17. Non-recurring income (loss)

(in € thousands)	November 30, 2017	November 30, 2016
Other net non-recurring expenses ⁽¹⁾	(13,423)	(839)
TOTAL	(13,423)	(839)

(1) The non-recurring loss corresponds to the capital loss on treasury shares delivered under bonus share plans and is covered by a provision reversal of the same amount, see Note 4.2.2.8.

4.2.2.18. Off-Balance sheet items

Interest rate hedging

Interest-rate hedges are made using instruments traded on organized markets or over-the-counter, with high-quality counterparties.

Within the framework of the prepayment of the Senior Facilities Agreement, the rate swaps hedge portfolio was reviewed to cancel some of the swaps and agree a new one.

The table below details the portfolio of swaps that were canceled over the first half of the year against a lump sum payment of €1 million:

Type	Notional amount (in € millions)	Fixed rate	Repayment		Type
			Start date	End date	
EUR 1M fixed rate swap	20	0.1950%	April 30, 2016	April 30, 2021	Hedge
EUR 1M fixed rate swap	10	0.1950%	April 30, 2016	April 30, 2021	Hedge
EUR 1M fixed rate swap	15	0.1800%	May 31, 2016	April 30, 2021	Hedge
EUR 1M fixed rate swap	25	0.2780%	May 31, 2016	April 30, 2021	Hedge
EUR 1M fixed rate swap	25	0.2985%	May 31, 2016	April 30, 2021	Hedge
EUR 1M fixed rate swap	20	(0.1200)%	May 31, 2016	April 30, 2021	Hedge

The following table sets forth the details of the portfolio of one-month swaps paying Euribor against fixed-rate receiving swaps at November 30, 2017:

Type	Notional amount (in € millions)	Fixed rate	Repayment		Type	Fair value at November 30, 2017, in % of nominal	Fair value at November 30, 2016, in % of nominal
			Start date	End date			
EUR 1M fixed rate swap	10	0.5000%	November 28, 2014	November 30, 2017	Hedge	–	(0.89)%
EUR 1M fixed rate swap	20	0.5000%	November 30, 2014	November 30, 2017	Hedge	–	(0.89)%
EUR 1M fixed rate swap	20	0.2975%	May 31, 2017	April 1, 2021	Hedge	(0.62) %	–

Off-balance sheet commitments received

Unutilized syndicated credit lines

(in € thousands)	November 30, 2017	November 30, 2016
Unutilized RCF line ⁽¹⁾	100,000	100,000

(a) In relation to the debt refinancing which took place in April 2016 (see Note 4.2.2.9.), a new Revolving Credit Facility (RCF) line for a maximum amount of €100 million with bullet repayment in April 2021 was arranged to refinance the group's general and working capital requirements. 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.

Off-balance sheet commitments given

Guarantees and bonds issued

(in € thousands)	November 30, 2017	November 30, 2016
Land non-use indemnities and works guarantees	20,720	14,487
Counter-guarantees granted ⁽¹⁾	9,563	21,127
TOTAL	30,283	35,614

(1) These are miscellaneous guarantees and bonds given by Kaufman & Broad SA, primarily a lease guarantee on head office leases and a €4 million bond as part of a protocol with a partner. Performance Bonds are provided to customers as part of sales-before-completion contracts by Kaufman & Broad SA subsidiaries. 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 set up 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 an option to take out a mortgage and a non-assignment of shares undertaking by the companies running these programs, and cancels receivables accruing on the sale price.

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 adjustments ⁽¹⁾	Income for tax purposes	Tax loss carry forward to be charged	Taxable income	Kaufman & Broad SA theoretical tax ⁽²⁾	Effect of tax consolidation income/ (expense)	Recognized tax income/ (expense)	Net income
Current	92,083	(43,999)	48,084	–	48,084	(13,258)	3,092	(10,166)	81,917
Non-current	(13,423)	–	(13,423)	–	(13,423)	4,621	–	4,621	(8,802)
TOTAL	78,660	(43,999)	34,661	–	34,661	(8,637)	(3,092)	(5,545)	73,115

(1) The tax adjustments include mainly the deduction of dividends received from subsidiaries and the 2017 adjustment to recognition of the revenues and the margin on the progress towards completion recorded in the net income or loss offset for the calculation of taxable income at completion.

(2) This amount includes the accrued net income recorded on the cancellation of the 3% contribution on dividends paid of €3.2 million.

Due to the difference in the method for recognizing profit on programs as work stages are completed (for ledger purposes) versus on final completion (for tax purposes), there is a significant unrealized tax position. For example, the impact of differences in the recognition of

real estate programs between the tax accounts and the consolidated accounts based on percentage of completion amount to a taxable base of €164.6 million, which is an unrealized tax of €56.6 million at November 30, 2016.

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 Kaufman & Broad brands, logos and domain names, in France, free of charge. All other related party transactions are at arm's length and on current market terms and conditions.

With the exception of the transactions with Artimus Participations (see significant events in Note 4.2.2.1.), dealings with related parties, including the compensation method for executives, remained comparable to fiscal year 2016 and no unusual type or amount of transaction occurred during the fiscal year.

4.2.5. Post-closing events

No significant event was recorded after the closing date.

4.2.6. Consolidation

Kaufman & Broad SA is the parent company in the scope of consolidation that consists of Kaufman & Broad SA and its subsidiaries.

4.2.7. Other

Kaufman & Broad SA has no employees.

The total compensation paid to directors and corporate officers for 2017 amounted to €1,678,453, of which €236,000 was paid to non-executive directors.

4.3. Subsidiaries and equity affiliates

	Capital	Shareholders' equity other than share capital before allocation of profit or loss	% ownership interest	Gross book value of shares held
A – Detailed information on investments in subsidiaries the gross book value of which exceeds 1% of Kaufman & Broad S.A.'s capital				
1. Subsidiaries (at least 50% of the capital held by the Company)				
Kaufman & Broad Europe SAS	221,440,548	3,034,931	99.90%	217,436,878
Kaufman & Broad Homes SAS	2,247,403	8,516,187	100.00%	10,450,195
Kaufman & Broad Développement SAS	152,449	(2,888,584)	100.00%	152,449
SMCI Développement SAS	762,245	1,539,976	100.00%	762,245
Kaufman & Broad Rénovation SAS	160,000	(86,202)	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	5,143,470	100.00%	30,191,792
Kaufman & Broad Méditerranée SARL	100,000	(16,094,208)	100.00%	100,000
Kaufman & Broad Normandie SARL	100,000	(5,960,287)	100.00%	100,000
Kaufman & Broad Savoie SARL	100,000	(3,332,340)	100.00%	100,000
Kaufman & Broad Rhône-Alpes SARL	1,300,000	(16,094,207)	100.00%	1,300,000
Kaufman & Broad Pyrénées-Atlantiques SARL	100,000	(5,546,699)	100.00%	100,000
Residences Bernard Teillaud SARL	840,000	14,424,992	100.00%	15,663,729
Kaufman & Broad Midi-Pyrénées SARL	2,858,910	3,035,374	100.00%	36,404,833
SARL Kaufman & Broad Languedoc-Roussillon	100,000	(5,897,532)	99.00%	99,000
SARL Kaufman & Broad Gironde	100,000	(5,897,532)	99.00%	1,387,900
Kaufman & Broad Bretagne	1,000,000	699,286	100.00%	5,059,325
Kaufman & Broad Flandres	7,700	(1,268,353)	99.90%	449,360
Kaufman & Broad Innovations	1,000	281,821	100.00%	1,000
Kaufman & Broad Grands Projets	1,000,000	(515,795)	100.00%	1,000,000
Kaufman & Broad Marketing et Ventes	1,000	(6,079)	100.00%	1,000
Kaufman & Broad Poitou Charentes	100,000	(188,099)	100.00%	100,000
Kaufman & Broad Pyrénées-Orientales	100,000	–	100.00%	100,000
Kaufman & Broad Bourgogne France Comté	100,000	–	100.00%	100,000
2. Equity affiliates (at least 10% to 50% owned by the Company)				
B – General information on other interests with a gross value less than 1% of Kaufman & Broad S.A.'s capital				
1. Subsidiaries not included in Section A				
SNC Kaufman & Broad Promotion 1	1,000		99.90%	990
SNC Kaufman & Broad Promotion 2	1,000	–	99.90%	990
SNC Kaufman & Broad Promotion 3	1,000	–	99.90%	990
SNC Kaufman & Broad Promotion 4	1,000	–	99.90%	990
SNC Kaufman & Broad Promotion 5	1,000	–	99.90%	990
SNC Kaufman & Broad Promotion 6	1,000	–	99.90%	990
SNC Kaufman & Broad Promotion 7	1,000	–	99.90%	990
SNC Kaufman & Broad Promotion 8	1,000	–	99.90%	990
SNC Kaufman & Broad Promotion 9	1,000	–	99.90%	990
Other French subsidiaries (aggregate)	–	–	–	30,024
2. EQUITY INTERESTS IN FRENCH COMPANIES NOT INCLUDED IN SECTION A (AGGREGATE)				
	–	–	–	458,923

Net book value of shares held	Outstanding loans and advances granted by the Company	Sum of 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	—	—	8,447,066	6,963,485	7,287,000
10,450,195	—	—	41,971,858	4,363,288	1,200,000
152,449	—	—	17,651,804	4,055,591	—
762,245	11,609	—	472,239	1,927,301	—
76,117	1,534	—	411,466	2,319	—
2,087,758	—	—	410,564	(1,990,121)	—
30,191,792	81,995	—	7,023,533	(1,900,605)	—
100,000	—	—	10,425,386	(2,643,572)	—
—	—	—	—	(196,014)	—
100,000	265,284	—	3,369,167	(1,159,608)	—
1,300,000	—	—	9,084,229	502,004	—
100,000	199,336	—	1,685,593	(2,119,894)	—
15,663,729	—	—	400	475,904	—
36,404,833	450,942	—	8,272,781	(1,056,754)	—
99,000	312,695	—	6,135,725	419,953	—
1,387,900	—	—	11,621,533	1,361,440	—
2,359,876	113,942	—	3,448,783	662,924	—
449,360	—	—	3,647,490	1,031,917	—
1,000	—	—	—	(395,204)	—
1,000,000	—	—	514,144	(1,590,205)	—
1,000	—	—	—	(412)	—
100,000	3,113	—	—	(1,098,956)	—
100,000	—	—	—	(99,196)	—
100,000	—	—	12,325	(120,796)	—
990	—	—	136,405,009	8,170,882	—
990	19,518	—	—	140,970	—
990	785,057	—	284,183,670	23,937,420	—
990	159,345	—	148,014,437	14,590,064	—
990	3,243,285	—	63,201,070	2,924,376	—
990	1,366,511	—	91,397,204	6,775,894	—
990	—	—	10,330,719	475,018	—
990	—	—	142,607,711	8,899,434	—
990	—	—	—	48,484	—
14,047	—	—	—	—	—
152,341	—	—	—	—	—

4.4. Five-year financial summary

Type of information	2017	2016	2015	2014	2013
1. Financial position at year-end					
a) Authorized capital	5,479,119	5,417,630	5,612,011	5,612,011	5,612,011
b) Number of shares issued	21,073,535	20,837,039	21,584,658	21,584,658	21,584,658
c) Number of convertible bonds			–	–	–
2. Total income from operating activities					
a) Revenues excluding VAT	3,604,354	12,021,144	1,809,564	3,411,525	1,125,881
b) Earnings before taxes, amortization, depreciation and provisions	68,679,187	100,183,918	116,783,465	47,984,896	97,446,761
c) Tax on profits	5,545,300	15,594,010	16,906,321	24,871,390	15,202,518
d) Earnings after taxes, amortization, depreciation and provisions	73,114,615	74,644,419	94,911,060	32,510,444	79,966,898
e) Amount of profits distributed ⁽¹⁾	44,254,423	36,071,683	79,625,612	28,072,931	–
3. Earnings per share from operations					
a) Earnings after taxes and before amortization, depreciation and provisions	3.00	4.81	5.18	2.22	4.51
b) Earnings after taxes, amortization, depreciation and provisions	3.47	3.58	4.40	1.51	3.70
c) Dividend per share ⁽¹⁾	2.10	1.85	3.85	1.36	–
4. Workforce					
d) Number of employees		–	–	–	–
e) Total payroll		–	–	–	–
f) Amounts paid in respect of employee benefits		–	–	–	–

(1) The 2016 figures include the amount of €28,537,208 paid via the issue of 947,136 new shares. 2017 figures are in line with the allocation of profit or loss to be proposed to the next Shareholders' Meeting.



INFORMATION ABOUT THE GROUP'S BUSINESS ACTIVITIES

5

5.1. General information concerning the Company 212

5.1.1.	Company name and registered office	212
5.1.2.	Legal form and applicable legislation	212
5.1.3.	Date of incorporation and term of the Company	212
5.1.4.	Corporate purpose	212
5.1.5.	Trade and companies register	213
5.1.6.	Consultation of documents	213
5.1.7.	Fiscal year	213
5.1.8.	Appropriation of income	213
5.1.9.	Shareholders' Meetings	213
5.1.10.	Double voting rights	214
5.1.11.	Disclosure thresholds	214

5.2. General information concerning the capital 215

5.2.1.	Statutory provisions governing changes in share capital and the rights attached to shares	215
5.2.2.	Rights, privileges and restrictions attached to shares	215
5.2.3.	Acquisition by the Company of its own shares	215
5.2.4.	Authorized capital	219
5.2.5.	Capital authorized but not issued	219
5.2.6.	Non-equity securities	219
5.2.7.	Other securities giving rights to capital	219
5.2.8.	Table of changes in the capital	220

5.3. Current distribution of the capital and the voting rights 221

5.3.1.	Shareholding structure of the Company at November 30, 2017 and three-year change	221
5.3.2.	Changes in the distribution of authorized capital during the past three fiscal years	224
5.3.3.	Legal entities holding control of the Company	225
5.3.4.	Group organization chart	226

5.4. The market for the Company's shares 227

5.5. Dividends 228

5.5.1.	Distribution policy	228
5.5.2.	Limitation period	228

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 France
Telephone: + 33 (0) 1 41 43 43 43

5.1.2. Legal form and applicable legislation

The Company is a French société anonyme (joint stock company) governed by a Board of Directors, and in particular by the provisions of Book II of the French Commercial Code.

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 is incorporated for a term of 99 years, and will be dissolved on October 29, 2067, unless it is wound up earlier 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:

- to 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 (apartments, single-family homes, offices and commercial premises) as a package or in individual lots, to any individual or legal entity;
- to design and complete any project for subdivision into real estate lots or for groups of housing units, governed or not by condominium bylaws, for urban development or any program to rehabilitate or renovate existing buildings;
- to prepare all documents, take all administrative steps and perform all formalities on its own behalf or on behalf of landowners, to obtain all administrative authorizations, sign all contracts of sale or, before contracts are signed, to analyze and prepare all construction and service contracts with any contractors, architects, design firms and project owners and, more generally, all technical, legal, financial, marketing and advertising programs, transactions and campaigns to promote the implementation and sale of real estate developments;
- to construct, on behalf of landowners, buildings of any kind, under real estate development contracts, Project Management contracts, Project Owner Assistance contracts or any other type of contract for the provision of services;
- to own, lease or manage any building, whether or not constructed by the Company, for the requirements of its business;
- to execute all industrial, commercial or financial transactions, in tradeable securities or real estate, relating directly or indirectly to the corporate purpose or any similar or related purposes;
- to acquire equity interests for the Company in any existing or future businesses or companies, directly or indirectly relating to the corporate purpose or any similar or related purposes, particularly businesses or companies the purpose of which would assist in achieving the corporate purpose, and by any means, particularly by the creation of new companies, contributions of capital, mergers, alliances or acquisitions of ownership interests in any type of jointly owned company or intercompany partnership;
- to carry out any partnership or other transactions, with any companies, directly or indirectly relating to the corporate purpose or to any similar or related purpose, or likely to facilitate its growth or development, or make it more profitable;
- incidentally to acquire and sell, by any means and particularly by contribution, subscription, purchase, swap or otherwise, and to manage a portfolio of listed and/or unlisted securities, as well as shares in partnerships or private companies, and/or partnership interests, and rights in real estate or securities of any kind;
- to provide all services, studies, Corporate Services, access to resources, interpretations, technical or legal, expert assessments and consulting services arising therefrom;
- independently, and more generally, to provide administrative, economic, marketing and technical support to all private or public organizations, businesses, local authorities or to any individuals, in all areas;

- to carry out, in whatever form, any type of transaction directly or indirectly relating to the above-mentioned purposes, including forming partnerships with any individuals, legal entities and any organizations, to acquire an ownership interest in existing businesses and to create new businesses, merging companies, or representing any French or foreign corporations or companies;
- and generally, to carry out any scientific, technical, industrial, sales, financial, securities or real estate transactions directly or indirectly relating to the above-mentioned purposes or any similar or related purposes, or that are likely to facilitate their growth 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 (RCS).

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 website www.kaufmanbroad.fr.

5.1.7. Fiscal year

The Company's fiscal year begins on December 1 of one year and ends on November 30 of the following year.

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. The appropriation ceases to be mandatory once the legal reserve represents one tenth of the authorized capital.

The remaining income, 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 shall determine.

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 President of the Commercial Court.

Within the framework of the refinancing of the group, a Senior Facilities Agreement was signed on April 4, 2016 and the Company is no longer required to comply with the Financial Covenants ratio in order to be able to distribute dividends. The dividend distribution policy is presented in Section 5.5.1. "Distribution policy."

5.1.9. Shareholders' Meetings

Shareholder decisions are made at Shareholders' Meetings. Ordinary Shareholders' Meetings cover all matters that do not require amendments to the bylaws (unless otherwise stipulated by law).

Extraordinary Shareholders' Meetings may be convened 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 attend a meeting via video conference or other telecommunication technology that enables them to be identified, the type and use of which are defined by law, are deemed in attendance 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 individual 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, by the Deputy Chairman or, in the Deputy Chairman's absence, by a director designated by the Board. The two shareholders in attendance holding the largest number of votes in their own names and/or as proxies shall, if they agree, act as the tellers. The officers appoint the meeting secretary, who does not have to be a shareholder.

5.1.10. Double voting rights

The voting rights attached to shares are, in principle, proportional to the equity capital they represent. However, the Company's Extraordinary Shareholders' Meeting of January 21, 2000 attributed voting rights which are double those attributed to other shares – on the basis of the proportion of the equity capital which they represent – to all fully paid-up shares registered in the name of the same shareholder for at least two years, and to any new shares resulting from those shares. Bonus shares resulting from a capital increase by incorporation of reserves, earnings or premiums will benefit from double voting rights when they

are issued, provided they are attributed on the basis of 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 one registered owner to another registered owner as part of an inheritance or a family settlement.

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 legal entity, acting alone or in concert with others, who directly or indirectly acquires, through one or more legal entities that such individual or legal entity controls as defined by Article L. 233-3 of the French Commercial Code, a number of shares representing a proportion of the authorized capital or the voting rights equal to or exceeding 2% (or any multiple thereof, including above the disclosure thresholds set forth by law or regulation) must, by registered mail with acknowledgment of receipt within five trading days of the date when such threshold was crossed, notify the Company of the total number of shares and voting rights such individual or legal entity holds, including any securities attached thereto which give future access to the capital and voting rights.

Furthermore, according to Article L. 233-7 of the French Commercial Code, any individual or legal entity, acting alone or in concert with others, who acquires, directly or indirectly, a number of shares representing 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, by registered mail with acknowledgment of receipt at the latest before the close of trading on the fourth trading day following the day when such threshold was crossed, notify the Company, in particular, of the number of shares and voting rights which he/it holds.

The methods for calculating the disclosure thresholds, as well as the content of the disclosures 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 disclosure, 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 penalties applicable in the event of failure to disclose the crossing of statutory thresholds also apply in the event of failure to disclose the crossing of thresholds stipulated in the bylaws, provided that one or more shareholders holding at least 5% of the capital or voting rights have requested this, and that said request has been entered in the minutes of the Shareholders' Meeting.

Disclosure of changes in ownership percentages is set forth in Section 5.3.1. "Shareholding structure of the Company at November 30, 2017 and three-year change".

5.2. General information concerning the capital

5.2.1. Statutory provisions governing changes in share capital and the rights attached to shares

Since the bylaws do not contain any specific provisions relating thereto, any change in the capital or the rights attached to shares are subject to the statutory provisions.

5.2.2. Rights, privileges and restrictions attached to shares

At November 30, 2017, the Company's authorized capital was composed of 21,073,535 shares all carrying the same rights (see Section 5.1.8. "Appropriation of income"), subject to the existence of double voting rights (see Section 5.1.10. "Double voting rights"). Only

the shares held by Kaufman & Broad shall, during the period that it holds them, be stripped of their voting and dividend rights, and of the rights to a share in any surplus on winding-up.

5.2.3. Acquisition by the Company of 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 number of shares comprising the Company's capital. The authority granted to the Board of Directors for the Company to buy back its own shares was renewed by the Shareholders' Meeting of May 11, 2017 in

its eighth resolution for a period of eighteen months. The authority was granted to the Board of Directors during this Shareholders' Meeting by the ninth resolution to proceed with the cancellation of the shares held by the Company following the buyback of its own shares, and to do so over a period of twenty-six months.

5.2.3.1. Buyback program authorized by the Shareholders' Meeting of May 11, 2017

The Shareholders' Meeting of May 11, 2017, with the quorum and majority required for Ordinary Shareholders' Meetings and after a reading of the Board of Directors' report, authorized the Board of Directors, in accordance with the provisions of Articles L. 225-209 *et seq.* of the French Commercial Code and of European Regulation No. 2273/2003 of December 22, 2003, for a period of eighteen months, to allow the Company to buy back its own shares at a maximum price of €50 per share, i.e., a total maximum price of €104,185,150.

This authority was 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 agreement that complies with the AMAFI Ethics Charter recognized by the AMF;
- acquire shares to be held and subsequently delivered in payment or exchange as part of corporate acquisition transactions, a market practice accepted by the AMF;
- award or transfer stock to employees and/or corporate officers (on the terms and in the manner provided for by law) in particular as part of a stock purchase plan, a bonus share award plan or a company savings plan;

- award Company shares by delivery of shares on the exercise of the rights attached to securities giving right, by means of redemption, conversion, exchange or presentation of a warrant or in any other way, to the award of Company shares;
- cancel all or some of the shares purchased pursuant to the ninth extraordinary resolution of the Shareholders' Meeting of May 17, 2017.

The purchases, disposals or transfers described above may be executed by any method compatible with the applicable law or regulations, including by using 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 the offer is settled entirely in cash and subject to the lock-out periods stipulated in current legal and regulatory provisions.

The Shareholders' Meeting set the maximum number of shares that may be acquired under this resolution to 10% of share capital, adjusted for transactions made after the meeting of May 17, 2017, 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 remains always within the limit of the number of treasury shares owned, equal to a maximum of 10% of the authorized capital; and (ii) that the number of treasury shares to be used as payment or in exchange as part of a merger, demerger or contribution, may not exceed 5% of the capital.

The Shareholders' Meeting has resolved that the maximum purchase price may not exceed €45 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 15, 2016.

Pursuant to Article R. 225-151 of the French Commercial Code, the Shareholders' Meeting has set the maximum overall amount allocated to the share buy-back program at €104.2 million.

This authority was granted for a period of 18 months from the date of the meeting and supersedes, for the unused portion, the authority previously granted by the sixteenth resolution of the Shareholders' Meeting of April 15, 2016.

Liquidity agreement

On September 1, 2016, Kaufman & Broad entrusted the company Kepler Chevreux with the task of implementing a liquidity agreement (the "Liquidity agreement") in accordance with the Code of Ethics prepared by the Association Française des Entreprises d'Investissement (French Association of Investment Firms, now Association Française des Marchés Financiers (AMAFI)) 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 (the objectives of this agreement are described in Section 5.2.3.1. "Buyback program authorized by the Shareholders' Meeting of May 11, 2017"). Since that date and for a duration of one year, renewable by tacit renewal, the company Kepler Chevreux has performed this task of buying and selling its Kaufman & Broad SA shares on the Euronext Paris market to ensure liquidity and consistent pricing.

For the implementation of this agreement, €2 million was allocated to the liquidity account on its effective first day.

At December 30, 2017, the following resources were reported in the liquidity account: 36,558 shares and €225,178.99 not invested in shares.

5.2.3.2. Summary of share purchases and sales

Within the framework of the implementation of the liquidity agreement, the transaction volumes and prices during the 2017 fiscal year break down as follows:

Number of shares purchased:	150,234 shares
Average purchase price:	€36.85
Number of shares sold:	180,866 shares
Average selling price:	€37.08
Total trading cost:	€35,000

At November 30, 2017, the group held 291,426 treasury shares (representing 1.38% of the Company's share capital), of which 110,638 shares (representing 0.53% of the Company's share capital) intended to cover the bonus share awards of May 2017 as well as the balance from the 2017 plan authorized by the Shareholders' Meeting of May 11, 2017, that is, 139,362 shares (representing 0.66% of the Company's share capital) as well as 34,296 shares (representing 0.16% of the Company's share capital) to ensure achievement of the other objectives of the share buyback program (share cancellations by the Company) and 7,130 shares held under the Liquidity Agreement (representing 0.03% of the Company's share 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, April 2014, April 2015 and April 2016, it was decided to set up stock option plans for certain executives of Kaufman & Broad SA and its affiliates, in particular to give them the opportunity to share in the Company's growth.

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' meeting of July 7, 2015 and the plans of May 11, 2017, and after one year from the date of award by the Board meeting of April 15, 2016.

Under the April 15, 2016 bonus share plan, 376,199 bonus shares were definitively awarded on April 15, 2017, at the end of the vesting period, and were delivered. Under the July 7, 2015 bonus share plan, 105,100 bonus shares were definitively awarded on July 7, 2017, at the end of the vesting period, and were delivered.

In addition, the beneficiaries of these plans may not transfer title to the shares that have in fact 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, 2017 are set forth in the table below:

Bonus shares	May 11, 2017	May 11, 2017
Date of authorization by the Extraordinary Shareholders' Meeting	4/15/2017	5/11/2017
Total number of bonus shares that may be awarded	400,000	250,000
Date of the Board of Directors' meeting awarding the shares	5/11/2017	5/11/2017
Total number of shares awarded	23,801	90,788
Number of beneficiaries	814	814
Date of transfer of ownership of bonus shares	5/11/2019	5/11/2019
Date of sale of bonus shares	5/11/2021	5/11/2021
Lapsed shares	766	3,185
Shares outstanding at November 30, 2017	23,035	87,603

5.2.3.4. Special reports on the stock options, stock warrants, and bonus shares presented to the Shareholders' Meeting of May 3, 2018

5.2.3.4.1. Stock subscription and purchase options (L. 225-184, par. 1) awarded to employees and corporate officers

None.

5.2.3.4.2. Bonus shares awarded during the fiscal year ended November 30, 2017 to Kaufman & Broad SA's corporate officers by Kaufman & Broad SA and by the companies that are related to it in the manner set forth in Article L. 225-197-2

Executive corporate officer of the Company	Number	Price at date of award	Date of share award	Company awarding the shares
Nordine Hachemi	20,000	€37.75	5/11/2017	Kaufman & Broad SA
from the 1 st 2017 Plan ⁽¹⁾		15,846		
from the 2 nd 2017 Plan ⁽¹⁾		4,154		

(1) 15,846 under the 1st 2017 Plan and 4,154 under the 2nd 2017 Plan, subject to compliance with a series of quantity and quality performance criteria with an impact on the group's business activities over the short term (budget year).

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 L. 233-16, for offices or positions that they held in such companies

None.

- 5.2.3.4.4. Bonus shares awarded, during the fiscal year ended November 30, 2017 by the Company and by companies or groups associated with it in the manner provided for 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	Number	Price at date of award	Date of share award	Company awarding the shares
Shares awarded, during the fiscal year to the ten group employees holding the highest number of shares thus awarded	22,350	€37.75	5/11/2017	Kaufman & Broad SA

Title to these allocated shares will be transferred at the end of the vesting period, i.e., after a period of two years following the date of award as defined by the rules established for this award. The opening price for the share on the award date was €37.75, on May 11, 2017.

- 5.2.3.4.5. Bonus shares awarded, during the fiscal year ended November 30, 2017 by the Company and by the companies or groups associated with it in the manner provided for 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⁾	1	20,000
Member of the Management Committee	11	23,300
Directors of profit centers or of a support department	20	12,550
Department heads	117	26,650
Other employees	665	32,089
TOTAL	814	114,589

(1) 15,846 under the 1st 2017 Plan and 4,154 under the 2nd 2017 Plan, subject to compliance with a series of quantity and quality performance criteria with an impact on the group's business activities over the short term (budget year);

The title to these allocated shares will be transferred at the end of the vesting period, i.e. after a period of two years from the date of award as defined by the rules established for this award. The opening price for the share on the award date was €37.75, on May 11, 2017

- 5.2.3.5. Summary table of securities transactions by corporate officers and related parties during the last fiscal year

None.

5.2.4. Authorized capital

The Company's authorized capital at November 30, 2017, was €5,479,119.10, consisting of 21,073,535 ordinary shares, each with a par value of €0.26, all subscribed and 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 Company's authorized capital by issuing shares or securities giving

rights to said capital appears in Chapter 10 "Note", Section 10.5. "Summary table of currently valid authorizations 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 May 11, 2017, to issue securities giving rights to an allocation of debt instruments

for a period of 26 months, up to a maximum limit of €500 million. This authority has not been used to date.

5.2.7. Other securities giving rights to capital

The Company has introduced different bonus share and stock option plans (see in particular Sections 3.3.3. "Stock option or stock warrant plans – Bonus share awards – Stock warrants awarded" and 5.2.3.3. "Summary of bonus share awards" and Section 10.5. "Summary table of currently valid authorizations 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 the employees and corporate officer who have left the group, a total of 599,212 SSWs were bought by Financière Daunou 10, which decided not to exercise

these SSWs, which are now void. The number of remaining SSWs at November 30, 2017 was 121,874 at the price of €70 per share. The exercise of these SSWs by their holders may result in a future capital increase in a maximum nominal amount of €31,687.76, to which could 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"). Each SSW was only exercisable in the event of a "Change in control", as defined in the terms and conditions of the SSW, to occur prior to December 3, 2017. Exercise of these SSWs since that date has lapsed and has not given rise to any capital increase.

5.2.8. Table of changes in the capital

Transaction	Number of shares issued	Nominal amount of capital variation	Premium per share	Cumulative amount of the issue premium	New authorized capital	Cumulative number of shares	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 ⁽¹⁾	–	€10,696.89	–	€4,572,395.60	€2,970,372.60	5,824,260	€0.51
February 7, 2000	–	–	–	–	–	–	–
Capital increase in cash by a 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	–	–	–	–	–	–	–
Capital increase in favor of the Kaufman & Broad Actionnariat FCPE Company savings plan ⁽⁴⁾	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 ⁽²⁾	–	–	–	€34,669,383.34	–	10,973,197	€0.51
March 8, 2000	–	–	–	–	–	–	–
Over-allotment (Greenshoe) ⁽³⁾	165,390	€84,348.90	€22.49	€38,389,004.44	€5,680,679.37	11,138,587	€0.51
March 8, 2000	–	–	–	–	–	–	–
Allocation of issue costs	–	–	–	€35,729,089.28	–	11,138,587	€0.51
April 19, 2006	–	–	–	–	–	–	–
Capital increase by withdrawal from 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
December 3, 2007	–	–	–	–	–	–	–
Distribution of reserves	–	–	–	€975,128.67	€5,792,065.24	22,277,174	€0.26
July 8, 2009	–	–	–	–	–	–	–
Capital reduction	- 692,516	€180,054.16	–	€975,128.67	€5,612,011.08	21,584,658	€0.26
February 10, 2016	–	–	–	–	–	–	–
Capital reduction	- 747,619	€194,380.94	–	€975,128.67	€5,417,630.14	20,837,039	€0.26
May 31, 2017	–	–	–	–	–	–	–
Capital increase	947,136	246,255.36	€29.87	29,266,080.99	€5,663,885.50	21,784,175	€0.26
Capital reduction	- 947,136	- 246,255.36	–	–	€5,417,630.14	20,837,039	€0.26
November 30, 2017	–	–	–	–	–	–	–
Capital increase in favor of the KB Actions 2017 FCPE Company savings plan ⁽⁴⁾	236,496	€61,488.96	€30.85	€36,561,982.59	€5,479,119.10	21,073,535	€0.26

(1) Conversion of the par value of the share capital into euros and rounding up the total amount by a capital increase with capitalization of reserves of €10,696.89.

(2) Pursuant to the sixth and eighth resolutions of the Shareholders' Meeting of January 21, 2000, the sum of €85,680,827.84 was granted only to those who were shareholders of the Company at the date of the Shareholders' Meeting of January 21, 2000, in proportion to the amount of their equity interests at this date.

(3) Since the offering for individual and institutional investors was oversubscribed, the capital increase of February 7, 2000 was supplemented by a further increase resulting from exercise of the greenshoe option.

(4) See Section 3.3.2. "Group savings plan."

The share capital was impacted by the issuance of 947,136 new shares in consideration for the 2016 dividend and by the reduction of capital by cancellation of 947,136 treasury shares on May 31, 2017.

On September 21, 2017, Kaufman & Broad SA announced the launch of its "KB Actions 2017" shareholding offer with leverage and investment

guarantee, reserved for group employees who are members of the savings plan. On November 30, 2017, the Company issued 236,496 new shares as part of a capital increase reserved for employees of the Kaufman & Broad group, fully comparable to existing shares and vested, thereby raising the authorized capital to €5,479,119.10 consisting of 21,073,535 shares with unchanged par value.

5.3. Current distribution of the capital and the voting rights

5.3.1. Shareholding structure of the Company at November 30, 2017 and three-year change

The shareholding structure of our Company at November 30, 2017 was as follows:

Shareholders at November 30, 2017	Number of shares	% of share capital	% of voting rights exercisable at Shareholders' Meetings	% of theoretical voting rights
Shareholder				
Public ⁽¹⁾	16,391,901	77.79%	79.12%	78.04%
Artimus Participations ⁽²⁾	2,198,644	10.43%	10.46%	10.31%
Prédica/Spirica	1,673,183	7.94%	7.96%	7.85%
Employees ⁽³⁾	518,381	2.46%	2.46%	2.43%
Kaufman & Broad SA	291,426	1.38%	—	1.37%
TOTAL	21,073,535	100.00%	100.00%	100.00%

(1) Shares held by Directors are included under the heading "Public" in the shareholding structure at November 30, 2017.

(2) A company owned by certain group executives and employees under the leadership of Mr. Nordine Hachemi, Chairman and CEO of Kaufman & Broad SA (who also held approximately 25% of the share capital and voting rights of Artimus Participations).

(3) Includes the securities held in the Kaufman & Broad Actionnariat and KB Actions 2017 FCPE mutual funds following the capital increase reserved for employees with the issuance of 236,496 shares.

On November 30, 2017, the Company issued 236,496 shares, raising the number of shares comprising its authorized capital from 20,837,039 shares to 21,073,535 shares.

The total number of shares known to have double voting rights at November 30, 2017 was 244,698. Accordingly, at that same date, the total number of the Company's theoretical voting rights totaled 21,318,233 and the total number of voting rights exercisable at Shareholders' Meetings amounted to 21,026,807 (with the difference corresponding to the number of treasury shares held by the Company, stripped of voting rights).

There are 699 holders of registered shares, individuals and legal entities combined.

At November 30, 2017, the number of shares held by members of the Board of Directors totaled 24,565 shares representing 25,315 votes.

At the closing date, the number of shares held by employees, as defined in Article L. 225-102 of the French Commercial Code, represented 2.46% of the Company's authorized capital.

To the Company's knowledge and with the exception of the funds owned by Prédica, Fidelity Worldwide Investment Ltd., and Artimus Participations, no other shareholder holds more than 5% of the share capital and voting rights.

Changes in shareholding structure after the balance sheet date on February 28, 2018	Number of shares	% of share capital	% of voting rights exercisable at Shareholders' Meetings	% of theoretical voting rights
Shareholder				
Public ⁽¹⁾	16,385,011	77.75%	79.04%	77.96%
Artimus Participations ⁽²⁾	2,198,644	10.43%	10.48%	10.34%
Prédica/Spirica	1,673,183	7.94%	7.98%	7.87%
Employees ⁽³⁾	524,027	2.49%	2.50%	2.46%
Kaufman & Broad SA	292,670	1.39%	0.00%	1.38%
TOTAL	21,073,535	100.00%	100.00%	100.00%

(1) Shares held by Directors are included under the heading "Public" in the shareholding structure at November 30, 2017.

(2) A company owned by certain group executives and employees under the leadership of Mr. Nordine Hachemi, Chairman and CEO of Kaufman & Broad SA (who also held approximately 25% of the share capital and voting rights of Artimus Participations).

(3) Includes the securities held in the Kaufman & Broad Actionnariat and KB Actions 2017 FCPE mutual funds following the capital increase reserved for employees with the issuance of 236,496 shares.

The Company has no knowledge of any material changes in relation to its shareholding structure after February 28, 2018.

Disclosure of changes in ownership percentage in Kaufman & Broad SA

On February 20, 2017, Financière Daunou 10 SARL, a Luxembourg société à responsabilité limitée stated in a declaration that on February 17, 2017 it had, directly and indirectly through the intermediary of Financière Gaillon 8, a société anonyme it controls, fallen below the thresholds of 50% of the voting rights, 1/3 of the share capital and of the voting rights, 30%, 25% and 20% of Kaufman & Broad SA's share capital and that it held, directly and indirectly, 3,837,030 Kaufman & Broad SA shares representing 7,526,120 voting rights, i.e., 18.41% of the share capital and 30.34% of the voting rights of the Company, with the following breakdown: Financière Daunou 10, 148,455 shares (0.71% of the share capital), 148,950 voting rights (0.60% of the voting rights) and Financière Gaillon 8, 3,688,585 shares (17.70% of the share capital), 7,377,170 voting rights (29.74% of the voting rights).

In addition, the company Prédica declared that it had individually exceeded, on March 15, 2017, the threshold of 5% of the voting rights of Kaufman & Broad SA and that it held, individually, 1,354,185 Kaufman & Broad SA shares representing the same number of voting rights, i.e., 6.50% of the share capital and 5.46% of the voting rights of this company. This change in ownership percentage is the result of a decrease in the total number of Kaufman & Broad SA voting rights. In this instance, the company Crédit Agricole SA, indirectly through the companies Prédica and Spirica that it controls, did not cross any threshold, and holds, as of March 15, 2017, 1,576,395 Kaufman & Broad SA shares representing the same number of voting rights, i.e., 7.57% of the share capital and 6.35% of the voting rights of this company, broken down as follows: Prédica, 1,354,185 shares (6.50% of the share capital), 1,354,185 voting rights (5.46% of the voting rights) and Spirica, 222,210 shares (1.07% of the share capital), 222,210 voting rights (0.90% of the voting rights).

On March 16, 2017, Amundi's five fundamental management companies, Amundi Asset Management, Société Générale Gestion, Étoile Gestion, CPR Asset Management, and BFT Investment Managers, consolidated their voting rights policy and are now making a joint disclosure of changes in ownership percentage. In accordance with Article L. 233-7 of the French Commercial Code, it is confirmed that the statutory voting rights threshold has been exceeded, with 566,158 shares representing equity interests of 2.28%.

In accordance with the provisions of the bylaws of Kaufman & Broad SA concerning the obligation to disclose changes in ownership percentages at 2% thresholds, and multiples, of share capital or of voting rights of the Company, Sycomore Asset Management, on behalf of the UCITS, UCIs, and Agency Agreements for which it provides financial management, reached the threshold of 2% of the share capital (417,637 shares) representing 1.68% of the voting rights on April 12, 2017.

In addition, on April 12, 2017, in accordance with the provisions of Article 7 of the bylaws of Kaufman & Broad SA relating to the obligation to notify as to any breach of the 2% threshold of Kaufman & Broad SA share capital or its voting rights, or of any multiple of this percentage, GLG Partners LP declared that it had exceeded the 2% ownership threshold (556,264 shares), representing 2.67% of the share capital.

On April 19, 2017, pursuant to Article L. 233-7 of the French Commercial Code and Article 7 of the bylaws of Kaufman & Broad SA, Allianz Global Investors GmbH declared that it had exceeded the 2% ownership threshold for the share capital (439,571 shares), representing 1.77% of the voting rights (439,571 voting rights).

On April 24, 2017, in accordance with the provisions of Article 7 of the bylaws of Kaufman & Broad SA relating to the obligation to notify as to any breach of the 2% threshold of Kaufman & Broad SA share capital or of its voting rights, or of any multiples of this percentage, GLG Partners LP declared that it had dropped below the ownership threshold of 2% of the share capital (357,878 shares), representing 1.72% of the share capital.

On May 11, 2017, in accordance with the provisions of the bylaws of Kaufman & Broad SA concerning the obligation to disclose changes in ownership percentages at 2% thresholds, and multiples, of the share capital or voting rights of the Company, Sycomore Asset Management, on behalf of the UCITS, UCIs, and Agency Agreements for which it provides financial management, dropped below the threshold of 2% of the share capital of Kaufman & Broad (415,171 shares), representing 1.99% of the share capital and 1.80% of the voting rights.

On May 16, 2017, Financière Daunou 10 SARL, a Luxembourg société à responsabilité limitée stated in a declaration that on May 12, 2017 it had, directly and indirectly through the intermediary of Financière Gaillon 8, a société anonyme it controls, fallen below the thresholds of 30% of the voting rights of the company Kaufman & Broad SA and that it held, directly and indirectly, 3,586,984 Kaufman & Broad SA

shares representing 7,025,028 voting rights, i.e., 17.21% of the share capital and 28.62% of the voting rights of the Company, broken down as follows: Financière Daunou 10, 148,945 shares (0.71% of the share capital), 149,950 voting rights (0.61% of the voting rights) and Financière Gaillon 8, 3,438,039 shares (16.50% of the share capital), 6,875,578 voting rights (28.01% of the voting rights).

On May 23, 2017, Financière Daunou 10 SARL, a Luxembourg société à responsabilité limitée disclosed that on May 22, 2017 it had, directly and indirectly through the intermediary of Financière Gaillon 8, a société anonyme it controls, fallen below the thresholds of 25% and 20% of the voting rights and 15%, 10%, and 5% of share capital and voting rights of the company Kaufman & Broad SA and that it held, directly and indirectly, 149,195 Kaufman & Broad SA shares representing 149,700 voting rights, i.e., 0.71% of the share capital and voting rights of this Company, broken down as follows: Financière Daunou 10, 148,945 shares (0.71% of the share capital), 149,450 voting rights (0.71% of the voting rights) and Financière Gaillon 8, 250 shares and 250 voting rights.

On May 24, 2017, in accordance with the provisions of the bylaws of Kaufman & Broad SA concerning the obligation to disclose changes in ownership percentages at 2% thresholds, and multiples, of the share capital or voting rights of the Company, Sycomore Asset Management, on behalf of the UCITS, UCIs, and Agency Agreements for which it provides financial management, exceeded the threshold of 2% of the share capital of Kaufman & Broad (428,035 shares), representing 2.05% of the share capital and 1.73% of the voting rights.

On May 31, 2017, pursuant to Article L. 233-7 of the French Commercial Code and Article 7 of the bylaws of Kaufman & Broad SA, Allianz Global Investors GmbH disclosed that it exceeded the 2% ownership threshold for the share capital (434,857 shares), representing 1.77% of the voting rights (439,571 voting rights).

On June 6, 2017, in accordance with Article 7 of the bylaws of Kaufman & Broad SA, Predica, a subsidiary of Crédit Agricole Assurances, itself a subsidiary of Crédit Agricole SA, directly exceeded the statutory threshold of 6% of the voting rights of Kaufman & Broad. Thus, on June 6, 2017, Predica directly held 1,437,332 shares and the same number of voting rights, representing 6.90% of the share

capital and 6.81% of the voting rights. In addition, Crédit Agricole SA and Crédit Agricole Assurances indirectly exceeded the statutory threshold of 8% of the share capital of Kaufman & Broad. Thus, on June 6, 2017 Crédit Agricole SA and Crédit Agricole Assurances indirectly held 1,673,183 shares and the same number of voting rights, representing 8.03% of the share capital and 7.93% of the voting rights of Kaufman & Broad.

On June 8, 2017, Amundi's five fundamental management companies, Amundi Asset Management, Société Générale Gestion, Étoile Gestion, CPR Asset Management, and BFT Investment Managers, consolidated their voting rights policy and are now making a joint disclosure of changes in ownership percentage. In accordance with Article L. 233-7 of the French Commercial Code, it is confirmed that the statutory voting rights threshold has been exceeded, with 427,552 shares representing equity interests of 2.05%.

On June 15, 2017, Amundi's five fundamental management companies, Amundi Asset Management, Société Générale Gestion, Étoile Gestion, CPR Asset Management, and BFT Investment Managers, consolidated their voting rights policy and are now making a joint disclosure of changes in ownership percentage. In accordance with Article L. 233-7 of the French Commercial Code, it is confirmed that they have fallen below the statutory voting rights threshold, with 406,561 shares representing equity interests of 1.95%.

Since November 30, 2017, the Company has not been made aware of any thresholds crossing by a company holding more than 5% of the capital or the voting rights of Kaufman & Broad SA.

On January 31, 2018, Wellington Management LLP, in accordance with Article 7 of the bylaws of Kaufman and Broad SA, in its capacity as investment advisor, informed Kaufman and Broad that Wellington Management held for its clients 490,101 shares and voting rights representing 2.33% of the share capital of Kaufman and Broad (on a total share basis of 21,073,535 shares).

As of the date of this document, the Company had not been notified of any threshold crossings subsequent to the fiscal 2017 year-end whose disclosure is required by law or by the bylaws.

Kaufman & Broad SA shares held by directors at February 28, 2018

	Number of shares	Number of voting rights
Shareholder		
Sylvie Charles	250	500
Jean-Louis Chaussade	250	250
Yves Gabriel	250	250
Nordine Hachemi	22,806	22,806
Sophie Lombard	250	250
Michel Paris	259	509
Caroline Puechoultres	250	500
Frédéric Stévenin	250	250
TOTAL	24,565	25,315

5.3.2. Changes in the distribution of authorized capital during the past three fiscal years

Three-year changes in shareholding structure at November 30	2017		2016		2015	
	Number of shares	% of capital	Number of shares	% of capital	Number of shares	% of capital
Shareholder						
Public ⁽¹⁾	16,391,901	77.78%	8,607,246	41.31%	941,009	4.36%
Artimus Participations ⁽²⁾	2,198,644	10.43%	1,182,980	5.68%	0	0.00%
Prédica/Spirica	1,673,183	7.94%	1,428,560	6.86%	0	0.00%
Employees ⁽³⁾	518,381	2.46%	270,118	1.30%	258,500	1.20%
Kaufman & Broad SA	291,426	1.38%	1,748,555	8.39%	1,252,579	5.80%
Companies owned by funds held by PAI Partners ⁽⁴⁾	0	0.00%	7,599,580	36.47%	19,132,570	88.64%
TOTAL	21,073,535	100.00%	20,837,039	100.00%	21,584,658	100.00%

(1) Shares held by Directors are included under the heading "Public" in the shareholding structure at November 30, 2017.

(2) A company owned by certain group executives and employees under the leadership of Mr. Nordine Hachemi, Chairman and CEO of Kaufman & Broad SA (who also held approximately 25% of the share capital and voting rights of Artimus Participations).

(3) Includes the securities held in the Kaufman & Broad Actionnariat and KB Actions 2017 FCPE mutual funds following the capital increase reserved for employees with the issuance of 236,496 shares.

(4) A company owned by certain group executives and employees under the leadership of Mr. Nordine Hachemi, Chairman and CEO of Kaufman & Broad SA (who also held approximately 25% of the share capital and voting rights of Artimus Participations).

Three-year changes in voting rights at November 30

Holders	2017	2016	2015
Public ⁽¹⁾	79.12%	33.08%	3.88%
Artimus Participations ⁽²⁾	10.46%	4.41%	
Prédica/Spirica	7.96%	5.33%	
Employees ⁽³⁾	2.46%	1.01%	0.65%
Companies owned by funds managed by PAI Partners ⁽⁴⁾	–	56.17%	95.47%
TOTAL	100.00%	100.00%	100.00%
TOTAL VOTING RIGHTS EXERCISABLE AT SHAREHOLDERS' MEETINGS	21,026,807	26,796,449	39,901,307
TOTAL THEORETICAL VOTING RIGHTS	21,318,233	28,545,004	40,842,316

(1) Shares held by Directors are included under the heading "Public" in the shareholding structure at November 30, 2017.

(2) A company owned by certain group executives and employees under the leadership of Mr. Nordine Hachemi, Chairman and CEO of Kaufman & Broad SA (who also held approximately 25% of the share capital and voting rights of Artimus Participations).

(3) Includes the securities held in the Kaufman & Broad Actionnariat and KB Actions 2017 FCPE mutual funds following the capital increase reserved for employees with the issuance of 236,496 shares.

(4) Financière Gaillon 8 SA held 55.61% of the voting rights at November 30, 2016 versus 95.10% at November 30, 2015.

The reduction in voting rights mainly reflects the loss of the double voting rights of the shares sold by Financière Gaillon 8 as part of its gradual exit from the Company's share capital since April 2016, with the latter thus losing their double voting rights.

5.3.3. Legal entities holding control of the Company

5.3.3.1. PAI Partners

As of the date of this document, no company ultimately controlled by funds managed by PAI Partners holds any shares of Kaufman & Broad SA, with the exception of securities made available to the directors Mr. Michel Paris and Mr. Frédéric Stévenin.

5.3.3.2. Shareholders' agreement

No shareholders' agreements have been entered into by the group's companies with contracting parties outside the group. For joint development programs, the partners have signed a Memorandum of

Understanding defining the allocation of responsibilities and the fees to be invoiced to these service providers.

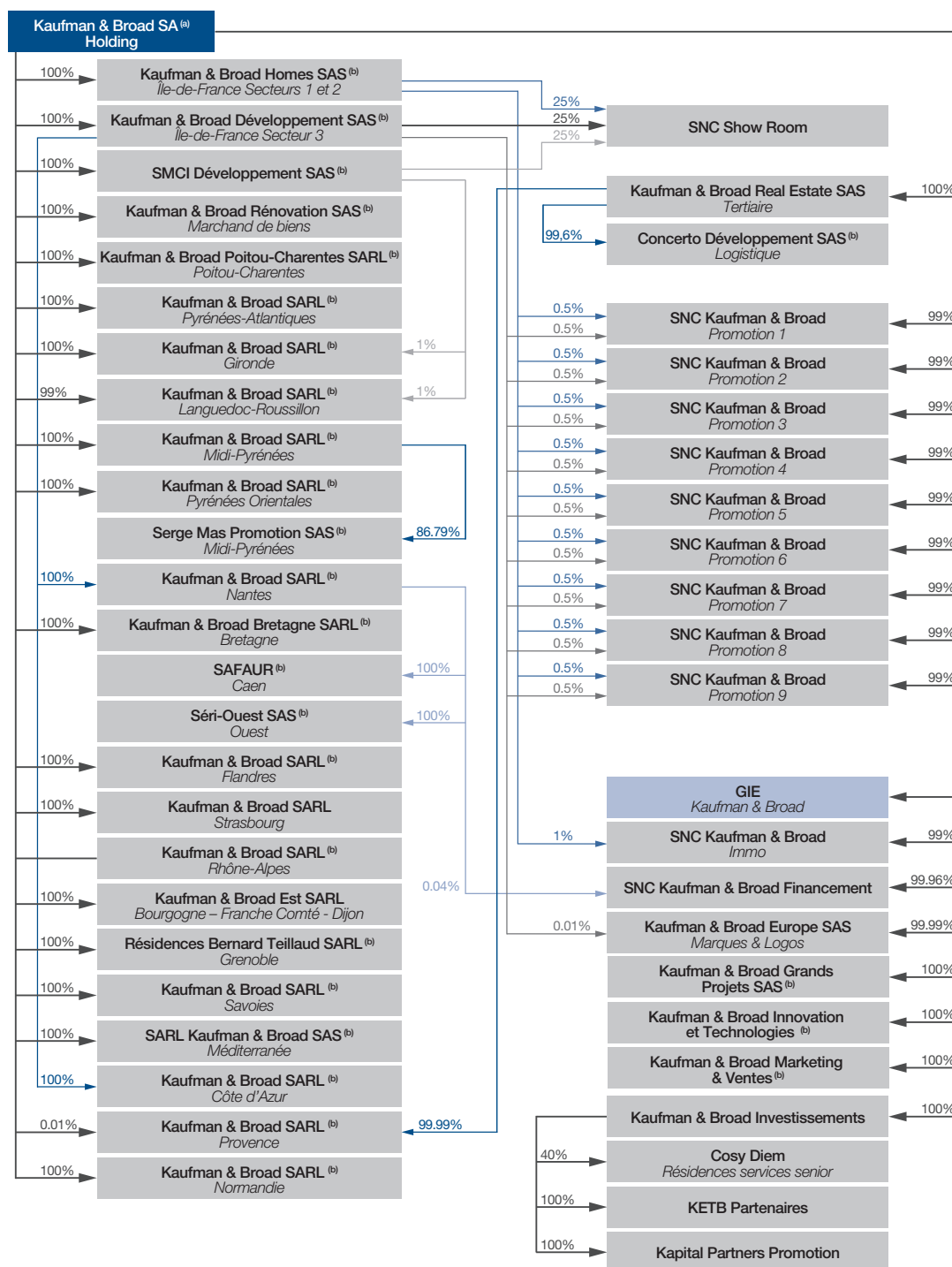
5.3.3.3. Pledges

As a result of the repayment in full of the amounts due under the High Yield Notes indenture (of March 31, 2014) on April 27, 2016, the creditors released the pledges on the Kaufman & Broad SA shares held by Financière Gaillon 8 (18,984,125 representing 87.95% of the authorized

capital of the company up to April 2016); Pledges that had been given in favor of The Law Debenture Trust Corporation plc. as creditor for the parallel debt and as security agent. To the Company's knowledge, no pledge of this type exists since then.

5.3.4. Group organization chart

The organization chart of the companies owned by Kaufman & Broad SA, holding company, at November 30, 2017, together with their percentage holding of the capital and voting rights, is shown in the following diagram:



(1) All Kaufman & Broad group subsidiaries operate in France.

(2) Group operating companies affiliated with the GIE.

5.3.4.1. Related party agreements

The characteristics of and the methods for implementing the agreements entered into among the various group entities are described in Section 4.1.5 “Notes to the Financial Statements”, note 4 “Compensation of executives (related parties)”, the paragraph on “Terms and conditions of related party transactions.”

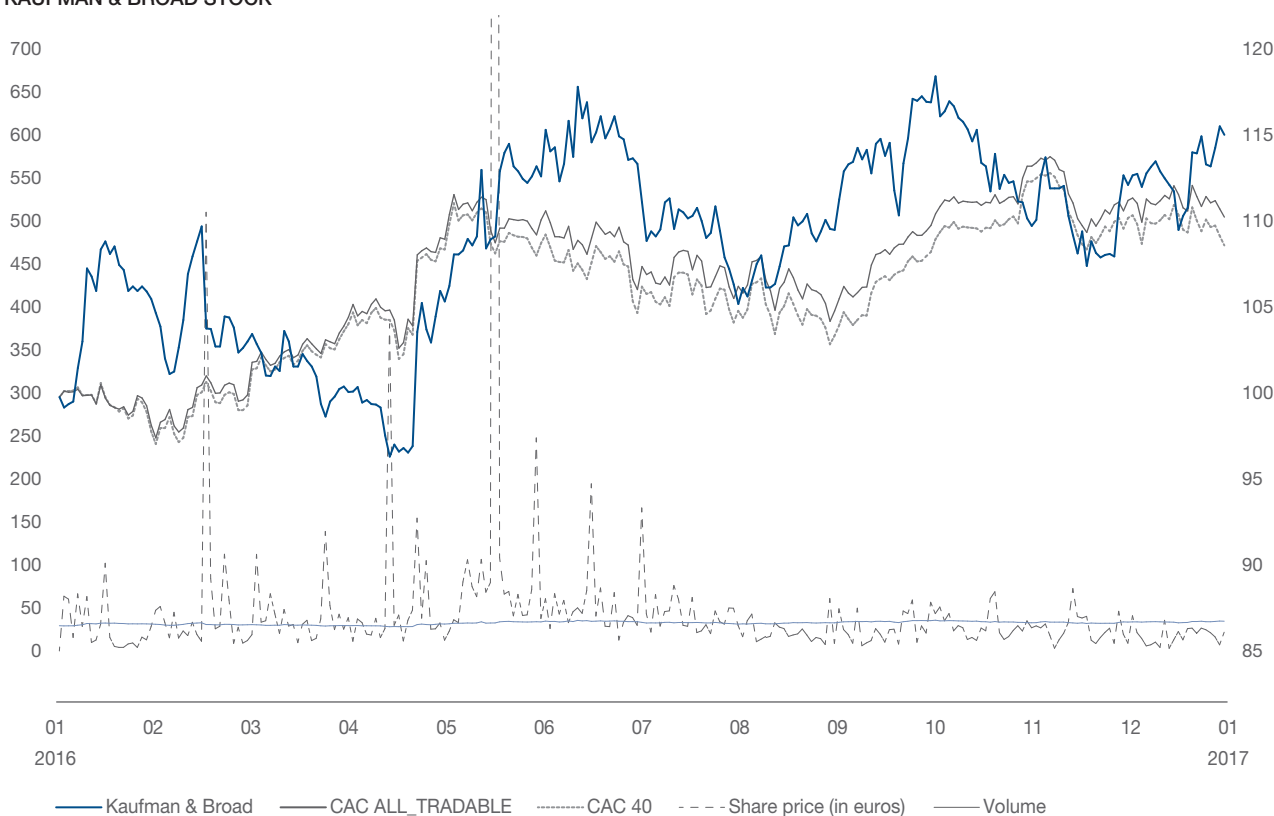
5.4. The market for the Company's shares

Since February 7, 2000, the common stock of Kaufman & Broad SA has been listed for trading on the Premier Marché of the Paris stock exchange, now Segment B of Euronext Paris, under ISIN code FR0004007813. From January 1 to December 31, 2017, the CAC All-Tradable rose by 11.26%, while the shares of Kaufman & Broad SA rose by 17.58%.

2017	Cumulative monthly price	Number of days	Average price	Cumulative volume in stocks	Average volume in stocks	Average volume in capital resources	Cumulative volume in capital resources
January	796.45	22	36.20	719,844	32,720	1,184,545	25,949,045
February	717.59	20	35.88	1,243,438	62,172	2,230,697	44,685,539
March	802.37	23	34.89	1,028,631	44,723	1,560,194	35,897,057
April	618.67	18	34.37	1,173,317	65,184	2,240,420	40,072,709
May	835.96	22	38.00	5,206,583	236,663	8,992,759	191,235,747
June	869.84	22	39.54	1,234,755	56,125	2,219,089	48,958,018
July	793.41	21	37.78	1,087,895	51,805	1,957,249	41,010,828
August	858.20	23	37.31	651,676	28,334	1,057,218	24,267,653
September	829.00	21	39.48	659,371	31,399	1,239,498	26,092,934
October	860.28	22	39.10	760,559	34,571	1,351,846	29,774,633
November	836.82	22	38.04	678,510	30,841	1,173,121	25,821,213
December	739.22	19	38.91	415,874	21,888	851,586	16,178,780

Source: January 2018 Euronext Paris data – Ticker: KOF – ISIN code FR 004007813.

CHANGE IN KAUFMAN & BROAD STOCK COMPARED TO THE CAC 40 AND CAC ALL-TRADABLE AND THE TRADING VOLUME OF KAUFMAN & BROAD STOCK



5.5. Dividends

5.5.1. Distribution policy

Over the last five years, the Company has paid the following dividends:

Fiscal year for which the dividend was paid	Type	Dividend paid per share (in euros)	Total amount (in euros)
2013	—	—	—
2014	Dividends	1.36	28,072,934.00
2015	Dividends ⁽¹⁾	3.85	80,222,600.00
2016	Dividends ⁽¹⁾	1.85	38,548,522.15
2017	Dividends ⁽²⁾	2.10	44,254,423.50

(1) Gross dividends calculated on 20,837,039 shares (including dividends payable on treasury shares).

(2) Gross dividends calculated on 21,073,535 shares (including dividends payable on treasury shares).

Since the refinancing of the Senior Facilities Agreement signed on January 23, 2009 (see Section 4.1.5. "Notes to the Financial Statements", note 6.1.2 "Gross financial debt"), the Company has not been able to distribute any dividends during the fiscal years ended November 30, 2009, 2010 and 2011. Starting in fiscal year 2012, it would only have been able to distribute dividends if its Debt/Equity Ratio had been equal to or lower than 3. Since the refinancing of the Senior Facilities Agreement signed on April 4, 2016, the Company is no longer required to comply with the Financial Covenants ratio to be able to distribute dividends.

The Shareholders' Meeting of Kaufman & Broad SA, held on May 11, 2017, decided to propose to shareholders an option of payment in shares of the dividend set at €1.85 per share for the fiscal year ended November 30, 2016. The issue price of these new shares was set at €30.13, corresponding to 90% of the average listed price of Kaufman & Broad stocks on the Euronext Paris regulated market during the twenty trading days preceding the day of that Shareholders' Meeting, less the net amount of the dividend of €1.85 per share, rounded up to the nearest euro cent. For the purpose of paying the dividend in shares, 947,146 new shares were issued, representing 4.55% of the share capital and 4.57% of the voting rights of Kaufman & Broad SA, based on the share capital and voting rights as of May 31, 2017. The settlement and delivery of the shares and their admission to trading on the Euronext Paris regulated market took place on June 2, 2017.

At May 31, 2017, and in order to keep the number of shares unchanged on a fully diluted basis, Kaufman & Broad proceeded to cancel 947,136 treasury shares. This cancellation of €29.9 million affected the "Other reserves" item. The authorized capital remained unchanged following this operation. Since, in the Consolidated Financial Statements, treasury shares are recognized in accordance with IFRS rules as a deduction from shareholders' equity, this cancellation had no impact on shareholders' equity as a whole. The total cash dividend paid to shareholders who did not opt for payment in shares, and the balance paid to shareholders who chose payment of the dividend in shares, reached €7.6 million and was paid on June 2, 2017.

The Board of Directors on March 7, 2018 has decided to propose to the Ordinary Shareholder's Meeting the payment of a dividend for fiscal year 2017 in the amount of €2.10 per share. Pursuant to Articles L. 232-18, *et seq.*, of the French Commercial Code and the provisions of Article 24 of the Company's bylaws, an option will be proposed to each shareholder of either payment in cash or in new shares of the Company of the entire dividend for the fiscal year ended November 30, 2017, these options being mutually exclusive.

Pursuant to Article L. 232-19 of the French Commercial Code, the issue price of each share used to pay all or part of the dividend of €1.05 per share, depending on the case, will be equal to a price corresponding to a minimum of 90% of the average listed price of Kaufman & Broad stocks on Euronext Paris in the 20 trading sessions preceding the Shareholders' Meeting, minus the net amount of the dividend referred to in the second resolution, rounded up to the nearest euro cent. The new shares thus issued will vest immediately, entitling holders to any dividend distribution as of their issue date.

Subscriptions must be made for a whole number of shares. If the dividend amount for which the option is exercised does not correspond to a whole number of shares, shareholders may receive the whole number of shares immediately above by paying, on the date on which they exercise their option, the difference in cash, or receive the whole number of shares immediately below and a payment for the balance in cash.

The period for exercising the option will start on May 9, 2018, which is the ex-coupon date, and will end on May 22, 2018 inclusive. The option may be exercised on request with authorized financial intermediaries. Any shareholders not exercising their options by the end of the period established by this resolution may only receive the dividend payable to them in cash. The dividend will be paid out on May 30, 2018; on the same date, the shares will be delivered to those shareholders opting for payment in shares of all or part of the dividend of €1.05 per share payable to them, depending on the case.

5.5.2. Limitation period

Under French law, dividends which are not claimed within five years of the date of payment become statute-barred in favor of the French government.



RECENT DEVELOPMENTS AND OUTLOOK

6

6.1. Markets

12-month housing market
Business property market

230

230
230

6.2. Strategies

General outlook

231

231

6.3. Group outlook for the fiscal year ending November 30, 2018

231

6.4. Group outlook over the medium term

232

6.1. Markets

The new long-term housing market on which Kaufman & Broad operates, is expected to continue to be supported by economic, social and demographic factors over the next decade such as:

- expected population growth of more than 8 million inhabitants by 2050, which would bring the French population to 74 million inhabitants. This growth is mainly due to the percentage of persons aged over 65, which is expected to grow by 8.6 million over the period, to represent 27% of the population compared to 17% today. (INSEE, NSEE PREMIÈRE No 1652 study, Published on 06/22/2017);
- a continuation of the phenomenon of concentration of the population in the main metropolitan centers, to the detriment of the rural areas;
- conversion of the existing building inventory made necessary by climatic constraints and more stringent environmental standards.

In the long term, these factors should support the development market on which Kaufman & Broad operates but will probably require an adjustment in terms of supply.

To address these long-term issues, Kaufman & Broad has:

- created the COZY DIEM offer for seniors who are looking for housing and services adapted to their needs;
- developed its capacity for innovation with the creation of an Innovation Department;
- committed to an environmental and societal policy;
- created a Major Urban Projects Department which aims to support local communities in producing a new generation of eco-urban projects.

12-month housing market

Since 2015, the market has experienced three years of strong growth (+20.5% in 2015, +26.8% in 2016 and +2.1% in 2017 for new housing orders) reaching its highest level in ten years. This growth is largely attributable to the two drivers of the residential market, low interest rates on home loans public measures promoting sales, both with regard to the home buyers PTZ incentive and the Pinel mechanism supporting rental investment.

These two engines should continue to support the markets in 2018

- with interest rates expected to remain at historically low levels, despite an expected moderate rise in upcoming quarters;
- and the PINEL and PTZ plans that have been extended for four years and should continue to provide visibility and stability to the market. It

should be emphasized that these arrangements have been renewed for A, A' and B1 investment zones, which are essentially the sectors in which Kaufman & Broad operates. In fact, 94% of the group's commercial offer is located in priority areas.

Regarding social housing, which accounts for about 25% of sales, the government has decided to increase the VAT by 5 to 10% and a decrease in rents that could temporarily slow down demand for social housing landlords, particularly in non vulnerable areas, but should only affect Kaufman & Broad marginally.

In this context, Kaufman & Broad anticipates a rather stable market, probably in the 125,000 to 130,000 unit range for 2018.

Business property market

The current economic situation should lead the ECB to gradually reduce its support policy but without creating tensions on long-term rates in the euro zone, particularly in France in upcoming quarters (OAT 10 years: 0.8% at the end of 2017 and 0.93% at the end of 2018 according to the Agefi Panel). Accordingly, in this economic context, this class of

assets should continue to experience strong demand from investors with "prime" rates of return remaining at historically low levels.

Against this backdrop, on the basis of indicators at the end of 2017, Kaufman & Broad anticipates a market that should remain dynamic, for both office and logistics properties.

6.2. Strategies

General outlook

In this context, the outlook for Kaufman & Broad should be positively oriented on the basis of end-2017 indicators:

- a land reserve for housing up by 14.2% in lots;
- a financial backlog: +16.1%;
- more than 150,000 sq.m of offices and 200,000 sq.m of logistics warehouses in development.

In terms of business activity

The company intends to pursue a policy of offering products corresponding to the financial capacities of its customers while:

- consolidating its leadership position in the Regions and expanding its territorial network, through major urban projects in order to access a significant potential for land acquisition, particularly in the Paris region;
- remaining attentive to external growth opportunities that could enable it to strengthen its geographical and territorial coverage;
- pursuing and capitalizing on the development of corporate real estate projects in the regions, especially in the major regional cities and maintaining development momentum in the Île-de-France region;

- reinforcing its offer of residences for students, hotels and seniors, with the establishment of a partnership with Sérénis through the Cozy Diem product to benefit the latter group.

In terms of financial indicators

the group will continue to maintain the objectives it has been setting for itself for several years now:

- controlling costs;
- controlling changes in WCR and generating of a significant operating cash flow;
- controlling commitments and related risks.

This policy should help maintain a satisfactory ROCE.

In this context, and based on interest rates remaining stable, Kaufman & Broad estimates that its revenue growth for the full year 2018 should be in the range of 8 to 10%. The gross margin rate is expected to remain around 19% and adjusted EBIT to be between 8.5% and 9%. Finally, the level of orders in the Housing division should remain comparable to that of last year and for the commercial sector, between €200 and €300 million in orders over the next twelve months.

6.3. Group outlook for the fiscal year ending November 30, 2018

The objectives presented below are based on data, assumptions and estimates that the group considered reasonable at the date of this Registration Document. These data and assumptions are likely to change or be modified due to uncertainties related to, among other things, the economic, financial, competitive, regulatory and tax environment or depending on other factors of which the group was not aware at the date of this Registration Document. In addition, should certain risks described in Section 1.2 “Risk factors” of this Registration Document materialize, they may have an impact on the group’s business activities, financial position, income, or outlook and accordingly jeopardize these goals. Furthermore, the achievement of these goals requires the success of the group strategy described in Section 2.1.4 “Outlook” of this Registration Document. The group therefore makes no representation and gives no warranty with respect to the achievement of the objectives set out in this section.

The group’s 2018 objectives are based on the Consolidated Financial Statements for the period ended November 30, 2017 and on the following assumptions:

- a new housing market that is quite stable at about 125,000 to 130,000 units in 2018, which should be supported, among other things, by the growing strength of the “PTZ” incentive designed for first-time homebuyers;
- even though the market is expected to be positioned at a high level, the group does not expect a significant price increase;
- continued good performance of the Commercial property market as in 2017, particularly, in the prime Paris market (see in particular Section 2.1.4 “Outlook” of this Registration Document);
- the same group regulatory and tax environment and renewal of the Pinel incentive and PTZ scheme for at least the next four years;
- no change in the accounting policies applied by the group at November 30, 2017.

On the basis of the above assumptions, the group's goal for the fiscal year ending November 30, 2018 is to achieve growth in its consolidated revenues in the order of 8% to 10%.

In addition, the group aims to achieve in the current fiscal year a gross margin rate of approximately 19% of consolidated revenues, with an adjusted EBIT margin rate ⁽¹⁾ ranging between 8.5% and 9.0% of consolidated revenues.

Lastly, in 2018, the group plans to distribute for the fiscal year ending November 30, 2017, a dividend per share of €2.10, subject to the approval of the Company's annual Shareholders' Meeting.

6.4. Group outlook over the medium term

The objectives and trends presented below are based on data, assumptions and estimates that the group considers as reasonable at the date of this Registration Document.

These future prospects and objectives resulting from the group's strategy do not constitute forecasts or estimates of the group's earnings. The data and assumptions presented below are likely to change or be adjusted as a result of, among other things, trends in the economic, financial, competitive, regulatory or tax environment or depending on other factors of which the group was not aware at the date of this Registration Document.

In addition, should certain risks described in section 1.2 "Risk factors" of this Registration Document materialize, they may have an impact on the business activities, financial position, income, or outlook of the group

and accordingly jeopardize its ability to achieve the goals presented below.

Furthermore, the achievement of these goals requires the success of the group strategy described in Section 2.1.4 "Outlook" of this Registration Document. The group therefore makes no representation and gives no warranty with respect to the achievement of the objectives set out in this section.

Finally, the dividend pay-out objective presented below shall not, in any circumstances, be considered as a commitment by the group. The actual amounts of future dividends will be determined after taking into account various factors, including the general situation of the Company's business and in particular its strategic objectives, financial position, the opportunities it wants to seize and the provisions of applicable laws.

Financial objectives for 2018-2019

The group's objective was to achieve consolidated earnings of more than €1.3 billion for the fiscal year ended November 30, 2019, of which approximately 15% would originate with the Real estate business.

This objective was achieved in 2017, and earnings growth of 8 to 10% is expected in 2018.

In terms of margins, the group was aiming to maintain a gross margin rate of over 18% of consolidated sales, producing an adjusted EBIT margin rate ⁽²⁾ of over 8% of consolidated sales, anticipating an increase in the share of revenue generated by Commercial Real Estate in the consolidated earnings of the group.

This aim is being maintained for 2019, as the group has announced that it is expecting a gross margin rate of around 19% and a rate of 8.5% to 9% for 2018.

The group also aims to distribute a dividend amount representing approximately 75% of its attributable net income, excluding exceptional items for the 2018 to 2019 financial years.

The group's cash-generating capacity should enable it to continue strengthening its financial position by 2019, after taking into account the dividend distribution objective presented above.

⁽¹⁾ Adjusted EBIT is equal to Current operating profit adjusted for borrowing costs ("Revised IAS 23") which are capitalized and recognized in gross margin. See Section 2.1.1. "Significant data".



PERSON RESPONSIBLE FOR THE REGISTRATION DOCUMENT

7

7.1. Person responsible for the Registration Document	234
7.2. Declaration by the person responsible for the Registration Document	234

7.3. Person responsible for financial communications and investor relations	235
7.4. Information incorporated by reference	235

7.1. Person responsible for the Registration Document

Nordine Hachemi

Chairman and Chief Executive Officer of Kaufman & Broad SA

7.2. Declaration by the person responsible for the Registration Document

I declare, after making all reasonable inquiries for this purpose, that the information contained in this Registration Document does, to my knowledge, present fairly the facts and contains no omission likely to affect its significance.

I declare that, to my knowledge, the financial statements have been prepared in accordance with applicable accounting standards and fairly present the assets and liabilities, financial position and income of the Company and its consolidated subsidiaries, and that the Management Report (Section 10.8.) presents fairly 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 have obtained from the Statutory Auditors an audit completion letter, 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.

Neuilly-sur-Seine, March 28, 2018

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: + 33 (0) 1 41 43 43 43

Fax: + 33 (0) 1 41 43 46 64

E-mail: infos-invest@ketb.com

Website: www.kaufmanbroad.fr

The group's financial statements are reviewed twice yearly by the Statutory Auditors, who conduct a full audit of the annual results and a review of the half-year results. Estimated financial results are published quarterly.

The publication timetable is as follows:

- first-quarter results, April 11, 2018 after market close;
- first-half results, July 11, 2018 after market close;
- third-quarter results, September 28, 2018 after market close;
- annual results, in January 2019.

(This schedule is subject to change)

7.4. Information incorporated by reference

Pursuant to Article 28 of Regulation (EC) No. 809/2004 of the Commission, the following information is incorporated in this Registration Document by reference:

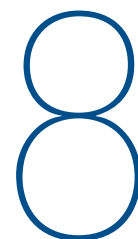
- the consolidated and annual financial statements and the corresponding audit reports, presented in Sections 4.1., 4.2., 9.3.1., and 9.3.2. respectively of the 2015 Registration Document, the French version of which was filed with the AMF on March 9, 2016 under reference No. D.16-0125;
- the financial information presented in Sections 2.1., 2.2., and 1.1.2.1. of the 2015 Registration Document, the French version of which was filed with the AMF on March 9, 2016 under reference No. D.16-0125.

- 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 2016 Registration Document, the French version of which was filed with the AMF on March 31, 2017 under reference No. D.17-0286;
- the financial information presented in Sections 2.1., 2.2., and 1.1.2.1. of the 2016 Registration Document, the French version of which was filed with the AMF on March 31, 2017 under reference No. D.17-0286.

Items not included in the above documents are either of no relevance to the investor or are covered elsewhere in the Registration Document.



PERSONS RESPONSIBLE FOR THE AUDIT OF THE FINANCIAL STATEMENTS



8.1. Statutory Auditors	238	8.3. Fees paid by the group to the Statutory Auditors and members of their networks	238
8.2. Alternate Statutory Auditors	238		

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 16, 2015 until the Shareholders' Meeting convened to approve the financial statements for the fiscal year ending November 30, 2020.

DELOITTE & ASSOCIÉS

185 avenue Charles de Gaulle, 92524 Neuilly-sur-Seine Cedex, represented by Ms. Bénédicte Sabadie, first appointed on April 16, 2015 until the Shareholders' Meeting convened to approve the financial statements for the fiscal year ending November 30, 2020.

8.2. Alternate Statutory Auditors

AUDITEX

1-2, place des Saisons, 92037 Paris La Défense Cedex, first appointed on April 16, 2015 until the Shareholders' Meeting convened to approve the financial statements for the fiscal year ending November 30, 2020.

BEAS

195, avenue Charles de Gaulle, 92524 Neuilly-sur-Seine Cedex, first appointed on April 16, 2015 until the Shareholders' Meeting convened to approve the financial statements for the fiscal year ending November 30, 2020.

8.3. Fees paid by the group to the Statutory Auditors and members of their networks

See Section 4.5. "Notes to the financial statements", Note 10 "Statutory Auditors' fees".



ADDITIONAL INFORMATION

9

9.1. Agenda and Resolutions of the Shareholders' Meeting of May 3, 2018	240	9.4. Report by the independent third party on the consolidated human resources, environmental and social information included in the management report	277
Combined Ordinary and Extraordinary General Meeting of May 3, 2018	240		
9.2. Report of the Chairman of the Board of Directors	247	9.5 Report on the principles and criteria for determining, distributing and allocating fixed, variable and exceptional items making up the total compensation and benefits of any kind to executive corporate officers	279
Part I: Corporate Governance and Operation of the Board of Directors	247		
Part II: Internal control and risk management system	259		
9.3. Reports of the Statutory Auditors	267		
9.3.1. Report of the Statutory Auditors on the Consolidated Financial Statements	267		
9.3.2. Reports of the Statutory Auditors on the Annual Financial Statements	270		
9.3.3 Statutory Auditors on Related-Party Agreements and Regulated Commitments	274		
9.3.4. Report of the Statutory Auditors on the report of the Chairman of the Board of Directors	276		

9.1. Agenda and Resolutions of the Shareholders' Meeting of May 3, 2018

Combined Ordinary and Extraordinary General Meeting of May 3, 2018

AGENDA

Resolutions submitted to Ordinary Shareholders' Meetings

- review and approval of the annual financial statements for the fiscal year ended November 30, 2017;
- appropriation of earnings for the fiscal year ended November 30, 2017;
- option of payment in shares of all or part of the dividend for the fiscal year ended November 30, 2017;
- review and approval of the consolidated financial statements for the fiscal year ended November 30, 2017;
- review and approval of agreements referred to in Article L. 225-38 of the French Commercial Code;
- opinion on the components of the compensation due or paid to Nordine Hachemi, Chairman and Chief Executive, for the fiscal year ended November 30, 2017;
- approval of the principles and criteria for determining, dividing up and allocating the fixed, variable and extraordinary components of the total compensation and benefits of any kind attributable to the Company's Chairman and Chief Executive Officer;
- recording of the expiry of the term of office as director of Nordine Hachemi, renewal of the term of office as director of Nordine Hachemi for a period of three years;
- recording of the expiry of the term of office as director of Frédéric Stevenin, renewal of the term of office as director of Frédéric Stevenin for a period of three years;
- recording of the expiry of the term of office as director of Sylvie Charles, renewal of the term of office as director of Sylvie Charles for a period of three years;
- recording of the expiry of the term of office as director of Caroline Puechoultres, renewal of the term of office as director of Caroline Puechoultres for a period of three years;
- recording of the expiry of the term of office as director of Sophie Lombard, renewal of the term of office as director of Sophie Lombard for a period of three years;
- appointment of a director representing employee shareholders;
- appointment of a director;
- setting the amount of directors' fees;
- authority to be granted to the Board of Directors, for a period of 18 months, for the Company to buy back its shares.

Resolutions submitted to Extraordinary Shareholders' Meetings

- authority to be granted to the Board of Directors, for a period of 26 months, to cancel shares held by the Company following the buyback of its shares;
- delegation of authority to be granted to the Board of Directors, for a period of 26 months, to issue shares and/or securities convertible into equity securities to be issued by the Company, without preemptive subscription rights for shareholders, to participants in the group's Company Savings Plan(s) for an amount of 3% of the share capital;
- authority to be granted to the Board of Directors, for a period of 38 months, to award existing bonus shares to employees and/or executive corporate officers of the Company and related entities;
- amendment of the Company bylaws.

Resolution submitted to the Ordinary Shareholders' Meeting

- powers.

Text of the resolutions

Resolutions submitted to Ordinary Shareholders' Meetings

FIRST RESOLUTION

(Review and approval of the statutory financial statements for the fiscal year ended November 30, 2017)

The Shareholders' Meeting, with the quorum and majority required for Ordinary Shareholders' Meetings and after a reading of the report of the Board of Directors, the report of the Chairman of the Board regarding the Board's operations and internal control, and the reports of the Statutory Auditors, approves the annual financial statements for the fiscal year ended November 30, 2017, which include the balance sheet, income statement and accompanying notes as submitted by the Board of Directors, as well as the transactions reflected in these financial statements and summarized in the aforementioned reports, which show a net income of €73,114,614.51.

The Shareholders' Meeting duly notes that no expenditure or cost provided for under Article 39-4 of the French General Tax Code was made by the Company for the fiscal year ended November 30, 2017.

SECOND RESOLUTION

(Appropriation of earnings for the fiscal year ended November 30, 2017)

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, resolves to appropriate:

the profit for the fiscal year ended November 30, 2017

- in the amount of €73,114,614.51
- plus retained earnings in the amount of €250,095,306.49
- namely, a total of €323,209,921.00
- for the distribution of a dividend of €44,254,423.50
- the balance, namely €278,955,497.50

will be allocated to retained earnings, which accordingly will increase from €250,095,306.49 to €278,955,497.50.

The dividends in respect of the Company's treasury shares at the dividend payment date shall be allocated to retained earnings.

The net dividend per share will be €2.10. This dividend will be paid out no later than June 30, 2018.

Pursuant to Article 243-bis of the French General Tax Code, the Shareholders' Meeting notes that it has been informed that, over the course of the last three fiscal years, the following dividends ⁽¹⁾ have been paid:

Fiscal year	Dividend	Eligible for tax relief
2014	€1.36/share	yes
2015	€3.85/share	yes
2016	€1.85/share	yes

⁽¹⁾ Amount(s) eligible for 40% tax relief available to individuals who are tax resident in France, as provided for in Article 158-3-2 of the French General Tax Code.

THIRD RESOLUTION

(Option of payment in shares of all or part of the dividend for the fiscal year ended November 30, 2017)

The Shareholders' Meeting, deliberating in accordance with the quorum and majority requirements for Ordinary Shareholders' Meetings, after a reading of the report of the Board of Directors and noting that the share capital is fully paid up, resolves, pursuant to Articles L. 232-18 et seq. of the French Commercial Code and the provisions of Article 24 of the Company's bylaws, to propose to each shareholder as payment of the dividend for the year ended on November 30, 2017, the option of either (i) payment of all the dividend in cash, (ii) payment of all of the dividend in new shares of the Company, or (iii) the payment of the part corresponding to half of the dividend (equal to €1.05 per share) in new shares, with the other half paid in cash, it being understood that shareholders are entitled to only one of these options.

Pursuant to Article L. 232-19 of the French Commercial Code, the issue price of each share used to pay all or part of the dividend of €1.05 per share, depending on the case, will be equal to a price corresponding to a minimum of 90% of the average listed price of Kaufman & Broad stocks on Euronext Paris in the 20 trading sessions preceding the Shareholders' Meeting, minus the net amount of the dividend referred to in the second resolution, rounded up to the nearest euro cent. The new shares thus issued will vest immediately, entitling holders to any dividend distribution as of their issue date.

Subscriptions must be made for a whole number of shares. If the dividend amount for which the option is exercised does not correspond to a whole number of shares, shareholders may receive the whole number of shares immediately above by paying, on the date on which they exercise their option, the difference in cash, or receive the whole number of shares immediately below and a payment for the balance in cash.

The period for exercising the option will start on May 09, 2018, which is the ex-coupon date, and will end on May 22, 2018 inclusive. The option may be exercised on request with authorized financial intermediaries. Any shareholders not exercising their options by the end of the period established by this resolution may only receive the dividend payable to them in cash. The dividend will be paid out on May 30, 2018; on the same date, the shares will be delivered to those shareholders opting for payment in shares of all or part of the dividend of €1.05 per share payable to them, depending on the case.

The Shareholders' Meeting resolves that the Board of Directors will have all powers, with the option of sub-delegation under the terms and conditions set by law, to implement this resolution, and, in particular, to:

- approve the issue price of the shares used to pay the dividend, within the limits and under the conditions set by this resolution;
- carry out all transactions related or consequent to the exercise of this option;
- charge the costs of the capital increase to the amount of the premium relating thereto and deduct from this amount the sums necessary to bring the legal reserve to one-tenth of the new capital;
- record the number of shares issued and the completion of the capital increase;

- consequently amend the Company's bylaws;
- and, more generally, carry out all formalities for the issue, listing and financial service of the securities issued pursuant to this resolution and do all that may be useful and necessary under the laws and regulations in force.

FOURTH RESOLUTION

(Review and approval of the consolidated financial statements for the fiscal year ended November 30, 2017)

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 consolidated financial statements for the fiscal year ended November 30, 2017, which include the consolidated balance sheet and income statement and accompanying notes as submitted by the Board of Directors, as well as the transactions reflected in the financial statements and summarized in the aforementioned reports, and which show attributable net income of €59,118 thousand.

FIFTH RESOLUTION

(Review and approval of agreements referred to in Article L. 225-38 et seq. of the French Commercial Code)

The Shareholders' Meeting, with the quorum and majority required for Ordinary Shareholders' Meetings, and after a reading of the special report of the Statutory Auditors on the agreements referred to in Articles L. 225-38 and L. 225-40 to L. 225-42 of the French Commercial Code, approves all the provisions of this report and notes that no new agreement was entered into in the fiscal year ended November 30, 2017.

SIXTH RESOLUTION

(Opinion on the compensation components due or allocated to Nordine HACHEMI, Chairman and Chief Executive Officer, for the fiscal year ended November 30, 2017)

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, 2017 to Nordine HACHEMI, Chairman and Chief Executive Officer, as presented in the Registration Document (Section 4.4.1.2. of the management report, entitled "Compensation of corporate officers").

SEVENTH RESOLUTION

(Approval of the principles and criteria for determining, dividing up and allocating the fixed, variable and extraordinary components of the total compensation and benefits of any kind attributable to the Company's Chairman and Chief Executive Officer)

The Shareholders' Meeting, with the quorum and majority required for Ordinary Shareholders' Meetings, after a reading of the report of

the Board of Directors prepared pursuant to Articles L. 225-37-2 and R. 225-29-1 of the French Commercial Code, approves the principles and criteria for determining, dividing up and allocating the fixed, variable and extraordinary components of the total compensation and benefits of any kind presented in the aforementioned report and attributable, by reason of his office, to the Company's Chairman and Chief Executive Officer.

EIGHTH RESOLUTION

(Recording of the expiry of the term of office as director of Nordine HACHEMI, appointment of a director for a period of three years)

The Shareholders' Meeting, with the quorum and majority required for Ordinary Shareholders' Meetings, after a reading of the report of the Board of Directors and noting that the term of office as director of Nordine HACHEMI would expire at the close of this Shareholders' Meeting, resolves to renew the term of office as director of Nordine HACHEMI for a period of three years, which will end at the close of the Shareholders' Meeting called to approve the financial statements for the fiscal year ended November 30, 2020.

Mr. HACHEMI has made it known in advance that he would accept these duties if reappointed.

NINTH RESOLUTION

(Recording of the expiry of the term of office as director of Frédéric STÉVENIN, appointment of a director for a period of three years)

The Shareholders' Meeting, with the quorum and majority required for Ordinary Shareholders' Meetings, after a reading of the report of the Board of Directors and noting that the term of office as director of Frédéric STÉVENIN would expire at the close of this Shareholders' Meeting, resolves to renew the term of office as director of Frédéric STÉVENIN for a period of three years, which will end at the close of the Shareholders' Meeting called to approve the financial statements for the fiscal year ended November 30, 2020.

Mr. STÉVENIN has made it known in advance that he would accept these duties if reappointed.

TENTH RESOLUTION

(Recording of the expiry of the term of office as director of Sylvie CHARLES, appointment of a director for a period of three years)

The Shareholders' Meeting, with the quorum and majority required for Ordinary Shareholders' Meetings, after a reading of the report of the Board of Directors and noting that the term of office as director of Sylvie CHARLES would expire at the close of this Shareholders' Meeting, resolves to renew the term of office as director of Sylvie CHARLES for a period of three years, which will end at the close of the Shareholders' Meeting called to approve the financial statements for the fiscal year ended November 30, 2020.

Ms. CHARLES has made it known in advance that she would accept these duties if reappointed.

ELEVENTH RESOLUTION

(Recording of the expiry of the term of office as director of Caroline PUECHOULTRES, appointment of a director for a period of three years)

The Shareholders' Meeting, with the quorum and majority required for Ordinary Shareholders' Meetings, after a reading of the report of the Board of Directors and noting that the term of office as director of Caroline PUECHOULTRES would expire at the close of this Shareholders' Meeting, resolves to renew the term of office as director of Caroline PUECHOULTRES for a period of three years, which will end at the close of the Shareholders' Meeting called to approve the financial statements for the fiscal year ended November 30, 2020.

Ms. PUECHOULTRES has made it known in advance that she would accept these duties if reappointed.

TWELFTH RESOLUTION

(Recording of the expiry of the term of office as director of Sophie LOMBARD, appointment of a director for a period of three years)

The Shareholders' Meeting, with the quorum and majority required for Ordinary Shareholders' Meetings, after a reading of the report of the Board of Directors and noting that the term of office as director of Sophie LOMBARD would expire at the close of this Shareholders' Meeting, resolves to renew the term of office as director of Sophie LOMBARD for a period of three years, which will end at the close of the Shareholders' Meeting called to approve the financial statements for the fiscal year ended November 30, 2020.

Ms. LOMBARD has made it known in advance that she would accept these duties if reappointed.

THIRTEENTH RESOLUTION

(Appointment of a director representing employee shareholders)

The Shareholders' Meeting, with the quorum and majority required for Ordinary Shareholders' Meetings, after a reading of the report of the Board of Directors, resolves to appoint, on the condition precedent of the adoption by this Shareholders' Meeting, in its twentieth resolution, Karine NORMAND as director representing employee shareholders on the Board of Directors, for a period of three years, i.e. until the Ordinary Shareholders' Meeting called to approve the financial statements for the fiscal year ended November 30, 2020.

FOURTEENTH RESOLUTION

(Appointment of a director)

The Shareholders' Meeting, with the quorum and majority required for Ordinary Shareholders' Meetings, resolves to appoint, as of today, Ms. Lucile ribot as a director, for a period of three years, i.e. until the Ordinary Shareholders' Meeting called to approve the financial statements for the fiscal year ended November 30, 2020.

FIFTEENTH RESOLUTION

(Setting the amount of directors' fees)

The Shareholders' Meeting, with the quorum and majority required for Ordinary Shareholders' Meetings, resolves to set at €400,000 the overall amount awarded as directors' fees to the Board of Directors for the fiscal year ended November 30, 2018 and for each subsequent fiscal year until the Shareholders' Meeting resolves otherwise.

SIXTEENTH RESOLUTION

(Authority to be granted to the Board of Directors, for a period of 18 months, for the Company to buy back its shares)

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, with the power to delegate in the manner provided for by law, in accordance with the provisions of Articles L. 225-209 *et seq.* of the French Commercial Code and the EU regulations on market abuse, to have the Company purchase its own shares.

This authority may be used to:

- stimulate the market or the liquidity of the Company's shares through an investment service provider under a liquidity agreement that complies with the AMAFI Ethics Charter recognized by the AMF;
- acquire shares to be held and subsequently delivered in payment or exchanged as part of corporate acquisition transactions;
- award or transfer stock to employees and/or corporate officers (on the terms and in the manner provided for by law) in particular as part of a stock option plan, a bonus share award plan or a company savings plan;
- award stock by the delivery of shares when exercising the rights attached to securities giving the right via redemption, conversion, exchange or presentation of a warrant, or in any other way, to an allocation of the Company's stock;
- potentially cancel the shares acquired, subject to adoption of the seventeenth extraordinary resolution appearing on the agenda for today's Shareholder's Meeting;
- more generally, execute any transaction allowed or that may in the future be allowed by then current rules and regulations, particularly if it is part of a market practice that may be accepted by the French Financial Markets Authority (AMF).

The purchases, disposals or transfers described above may be executed by any method compatible with the applicable law or regulations, including by using derivative financial instruments or block trades. The part of the program transacted as a block may extend to the entire share buyback program.

However, this authorization may not be used as from the filing by a third party of a public offer aimed at the Company's shares until the end of the offer period.

The Shareholders' Meeting sets the maximum number of shares that may be acquired under this resolution to 10% of 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 remains always within the limit of the number of treasury shares owned, equal to a maximum of 10% of the authorized capital; and (ii) that the number of treasury shares to be used as payment or in exchange as part of a merger, demerger or contribution, may not exceed 5% of the capital.

The Shareholders' Meeting resolves that the total amount for such acquisitions may not exceed €115,904,415 and resolves that the maximum purchase price may not exceed €55 per share.

In the event of a capital increase through capitalization of premiums, reserves, profits or in the form of an award of bonus shares during the period of validity 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, if necessary, the maximum purchase price per share referred to above to take into account the impact of such transactions on the value of the stock.

The Shareholders' Meeting grants full authority to the Board of Directors, with the option to delegate this authority under the terms provided for by law, to:

- resolve to implement this authority;
- set the terms and conditions the observance of which ensure, if necessary, the preservation of the rights of bearers of securities convertible into equity capital, stock warrants or stock options, or rights to allocation of performance shares, in compliance with legal, regulatory or contractual provisions;
- place any stock market order and enter into any agreement specifically in order to keep the records of buy and sell transactions in compliance with applicable regulations;
- file all required disclosures and comply with all formal, legal and other requirements and, in general, take all necessary measures.

The Board of Directors will inform the shareholders attending the annual Ordinary Shareholders' Meeting about all the transactions executed in application of this resolution.

This authority is granted for a period of 18 months from the date of this Shareholders' Meeting.

It replaces the authority previously granted by the Shareholders' Meeting of May 11, 2017 in its eighth resolution.

Resolutions submitted to Extraordinary Shareholders' Meetings

SEVENTEENTH RESOLUTION

(Authority to be granted to the Board of Directors, for a period of 26 months, to cancel shares held by the Company following the buyback of its shares)

The Shareholders' Meeting, with the quorum and majority required for Extraordinary Shareholders' Meetings, after a reading of the report of the Board of Directors and the special report of the Statutory Auditors, authorizes the Board of Directors, pursuant to the provisions of Article L. 225-209 of the French Commercial Code, to cancel, at its sole discretion, on one or more occasions, all or part of the shares of the Company that the Company holds or may hold under the aforementioned Article L. 225-209 and to reduce the authorized capital by the total nominal amount of the shares thus canceled, up to a maximum of 10% of the authorized capital per 24-month period, adjusted for any capital increases subsequent to this Shareholders' Meeting affecting the share capital.

The Shareholders' Meeting gives all powers to the Board of Directors to make the capital reduction or reductions, to charge the difference between the purchase price of the canceled shares and their par value against any reserves and premiums, to amend the bylaws accordingly, to reallocate the portion of the legal reserve that has become available as a result of the capital reduction, to make all declarations to the AMF, and to complete all other formalities and, generally, to do whatever is necessary.

This authority is granted for a period of twenty-six months from the date hereof.

It replaces the authority previously granted by the Shareholders' Meeting of May 11, 2017 in its ninth resolution.

EIGHTEENTH RESOLUTION

(Delegation of authority to be granted to the Board of Directors, for a period of 26 months, to issue shares and/or securities convertible into equity securities to be issued by the Company, without preemptive subscription rights for shareholders, to participants in the group's Company Savings Plan(s) for an amount of 3% of the share capital)

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 Articles L. 225-129-2, L. 225-138, and L. 225-138-1 of the French Commercial Code and L. 3332-1 *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, with the power of sub-delegation, its authority to (i) increase, on one or several occasions, the Company's authorized capital by issuing shares and/or stock equivalents convertible into future equity securities reserved for participants in the group's Company Savings Plans (PEE) and (ii) as applicable, to award performance shares or Company stock equivalents to replace in full or in part the discount referred to in 3/ below in accordance with

the terms and within the limits set forth in Article L. 3332-21 of the French Labor Code, it being specified, as applicable, that the Board of Directors may substitute in whole or in part such capital increase with the disposal, under the same conditions, of already existing securities held by the Company;

- resolves that the number of shares that may result from all the shares issued under this authority, including those resulting from shares or stock equivalents that may be awarded as bonus shares to replace in whole or in part the discount under the conditions set out in Article L. 3332-18 et seq. of the French Labor Code cannot exceed 3% of capital; the nominal amount of any capital increase carried out in application of this authority will be deducted from the total nominal maximum limit for capital increases set forth in the twentieth resolution of the Shareholders' Meeting of May 11, 2017. 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 Company stock equivalents;
- resolves that (i) the issue price for new shares may neither exceed the average of the first share prices quoted in the twenty trading sessions prior to the day of the decision of the Board of Directors or of the Chief Executive Officer setting the subscription start date nor be lower than such average by more than 20%; the Board of Directors or the Chief Executive Officer may, as applicable, decrease or eliminate the discount that may be applied to account for, among other things, the legal and tax rules applicable outside France or elect to replace in full or in part such 20% maximum discount with the award of bonus shares and/or stock equivalents and that (ii) the issue price of stock equivalents will be set in accordance with the terms set forth in Article L. 3332-21 of the French Labor Code;
- resolves to remove, in favor of the participants in the group's savings plan(s), the shareholders' preemptive rights to subscribe to Company shares or stock equivalents that may be issued under this delegation of authority and to waive all rights to the shares and stock equivalents that may be awarded as bonus shares under this present resolution;
- delegates all powers to the Board of Directors, with the option to sub-delegate this authority, in compliance with the provisions of law, in order particularly to:
 - decide whether the shares must be subscribed directly by employees participating in the group's savings plans, through a company mutual fund (an 'FCPE'), or through an employees' mutual fund (a 'SICAVAS'),
 - identify the companies whose employees will be eligible for the subscription offer,
 - decide whether employees should be given a deadline for paying up 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,
 - award, within the limits set in Article L. 3332-18 et seq. of the French Labor Code, the bonus shares or stock equivalents and to set 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 increases in authorized capital and of issuance of other stock equivalents against the amount of the premiums relating to these increases and to deduct from such amount the sums required to increase the legal reserve to 10% of the Company's new capital after each increase.

This delegation of authority is granted for a period of twenty-six (26) months from the date of this Shareholders' Meeting.

This authority supersedes the authority granted to the Board of Directors by the Shareholders' Meeting of May 11, 2017 in its eighteenth resolution.

NINETEENTH RESOLUTION

(Authority to be granted to the Board of Directors, for a period of 38 months, to award existing bonus shares to employees and/or executive corporate officers of the Company and related entities)

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 award, on one or more occasions, existing common stock of the Company as bonus shares to the employees or executive corporate officers of the Company and its related French and foreign companies or the Intercompany Partnerships related to it on the terms and conditions set forth in 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 awarded may not exceed 250,000 shares, while the number of shares awarded 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 one-year vesting period, after the beneficiaries have held said shares for a minimum of one year from the date of the definitive award; or (ii) at the end of a minimum vesting period of two years, and in this case with no minimum lock-in period. It is understood that the Board of Directors will 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 lock-in period, and in the second case, extend the vesting period and/or set a lock-in period.
- Note, however, that the shares will vest prematurely 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 Shareholders' Meeting;
- duly notes that if the award relates to shares to be issued, this authorization automatically entails, for the benefit of the beneficiaries of the bonus shares, the shareholders' waiver of their preferential subscription rights.

The Shareholders' Meeting grants full authority to the Board of Directors, in compliance with applicable laws and regulations and with the provisions of this resolution, to award bonus shares, and in particular:

- to determine the performance conditions and, if necessary, the terms and conditions on which bonus shares may be awarded, and to approve the list(s) of beneficiaries;
- to determine the holding period for the shares, subject to the minimum periods indicated above, given that, in respect of any shares that may be awarded to the executive corporate officers referred to in Article L. 225-197-1, II par. 4 of the French Commercial Code, the Board of Directors is responsible either for deciding that these shares may not be sold by the parties concerned until they leave office, or for determining the number of these shares that they will be required to hold in registered form until they leave office;
- to decide, in the event of authorized capital transactions occurring during the vesting period of the awarded shares, whether to adjust the number of shares awarded in order to preserve the rights of beneficiaries and, if so, to determine the terms and conditions for this adjustment;
- to carry out all formalities and, generally, to take all necessary and appropriate measures in connection therewith.

This authority terminates the authority granted to the Board of Directors under the nineteenth resolution of the Shareholders' Meeting of May 11, 2017 to award new or existing bonus shares to employees and/or executive corporate officers of the Company.

TWENTIETH RESOLUTION

(Amendment of the Company bylaws)

The Shareholders' Meeting, with the quorum and majority required for Extraordinary Shareholders' Meetings, after a reading of the report of the Board of Directors, resolves to insert an Article 10 bis in the bylaws entitled "Director representing employee shareholders", which will be worded as follows:

Article 10 bis – Director representing employee shareholders

A member of the Board of Directors shall be appointed by the Ordinary Shareholders' Meeting, on the recommendation of the Board of Directors, from among the members of the supervisory board(s) of the company mutual fund(s), governed by Article L. 214-165 of the French Monetary and Financial Code, representing employee shareholders. The duration of his/her duties shall be three years.

The member of the Board of Directors thus appointed shall be subject to all the legal and regulatory provisions applicable to the members of the Board of Directors. He/she shall not be bound by the obligation to own at least one share for the duration of his/her term of office, stipulated in Article 10(3).

However, his/her term of office shall expire as of right and the member of the Board of Directors representing employee shareholders shall be deemed to have resigned from the office in the event of (i) termination of his/her employment contract or (ii) loss of his/her status as a member of the supervisory board of a company mutual fund, governed by Article L. 214-165 of the French Monetary and Financial Code, representing employee shareholders.

The Board of Directors may meet and take valid decisions until the vacancy has been filled.

Resolution submitted to the Ordinary Shareholders' Meeting

TWENTY-FIRST RESOLUTION

(Powers)

The Shareholders' Meeting grants all powers to the bearer of any original, copy or extract hereof in order to complete all legal formalities relating to the foregoing resolutions.

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 Board membership, on the application of the principle of equal representation of men and women on the Board, 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 corporate officers.

This report was prepared by the Chairman with the assistance of Executive Management and the Financial Department, taking into consideration the opinions and recommendations of the *Association Française des Entreprises Privées* (AFEP), the *Mouvement des Entreprises de France* (MEDEF) and the *Autorité des Marchés Financiers* (AMF).

The Audit Committee of Kaufman & Broad reviewed this report at its meeting of March 5, 2018. The report was approved by the Board of Directors on March 7, 2018.

Part I: Corporate Governance and Operation of the Board of Directors

The conditions under 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. Operating procedures 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 November 2016, which may be consulted on the MEDEF website (<http://www.medef.com>).

In relation to the "Comply 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.

I.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 eighteen members, 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 the age of 75. The Company's bylaws also provide that the Chairman of the Board of Directors must be an individual under the age of 70 and that no person may hold the office of Chief Executive Officer or Deputy Chief Executive Officer over the age of 70.

The Board's Internal Rules, 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 and reports about it to the Shareholders' Meeting. The Chairman ensures that the Company's Corporate Governance structures operate effectively and that directors are in a position to properly perform their duties.

The Kaufman & Broad SA Board of Directors currently has eight members.

I.3. Other provisions of the bylaws and Internal Rules

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, the strict application of the bylaws. They are invited to meetings of the Board of Directors and participate in its deliberations in an advisory capacity but their absence 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 recommendation 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, had appointed Thierry Lefèvre as non-voting member of the Company's Board for a three-year term. He performed his duties and responsibilities in accordance with Article 16 of the bylaws, without receiving directors' fees. On September 28, 2017, after having taken note of the expiration of the term of office of Mr. Thierry Lefèvre as of October 1, 2017, the Board of Directors decided not to renew his term of office as non-voting member.

The Company's Board of Directors has established Internal Rules. These were last updated on March 7, 2018, when provisions relating to the Lead Director were added. Before this, they were most recently updated

on January 27, 2017, specifically to reflect the main changes in the AFEP-MEDEF Code of Corporate Governance, but also to incorporate the rules relating to the Investment Committee, a new committee within the Board of Directors.

The 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 the holding of 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.

The rules stipulate that the Board may set up committees whose members are responsible for examining questions referred to them by the Board, the Chairman, or the Lead Director. The Internal Rules also 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, half-year and annual results. The Internal Rules also stipulate that directors must hold their shares held at the beginning of their 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 contracts on such shares.

The Internal Rules of the Board of Directors are available on the Kaufman & Broad website (<http://www.ketb.com>).

I.4. Duties 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 expressly vested in Shareholders' Meetings 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;
- the 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 the Investment Committee or an ad hoc Committee; in particular, any important transaction that is not part of 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 material investments in organic growth and internal Company restructuring.

The Board carries out the controls and verifications that it deems necessary and is responsible for reviewing and approving the annual and half-year (statutory and/or consolidated) financial statements and for reviewing and approving the related reports stipulated by current regulations.

I.5. Duties and powers of the Chairman and Chief Executive Officer and the Deputy Chief Executive Officers

The Chairman of the Board of Directors is responsible for the Executive 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 March 2, 2017, the Board of Directors renewed for a term of one year the authority granted to its Chairman and Chief Executive Officer, together with the right to sub-delegate such authority, to issue on the Company's behalf any sureties, pledges or guarantees (including 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 for a total amount not exceeding €2,800,000,000.00 including any amounts required for performance bonds.

On March 7, 2018, this authority was renewed for another year and for the amount of €2,800,000,000.00 by the Board of Directors.

On recommendation of the Chairman and Chief Executive Officer, the Board of Directors may appoint one or more Deputy Chief Executive Officers, the number of which may not exceed five. They must be individuals. They do not have to be Board members. In agreement with the Chairman and Chief Executive Officer, the Board determines the scope and term of the powers granted to the Deputy Chief Executive Officers. The Company has no Deputy Chief Executive Officers.

The Chief Executive Officer may be removed 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.

I.6. Duties and remit of the Lead Director

The Board of Directors may appoint, on the recommendation of the Compensation and Nominating Committee, from among its independent members, a Lead Director, for a term not exceeding that of his/her term of office as a member of the Board.

I.6.1. Assisting the Chairman and the Board of Directors and assessing executive management

The Lead Director assists the Chairman in his/her duties, particularly with the organization and proper functioning of the Board of Directors and its committees and the supervision of corporate governance and internal control.

He/she is also responsible for providing the Board of Directors with assistance to ensure the proper functioning of the Company's corporate bodies and to shed light on the operations on which the Board of Directors is required to resolve. In this context, he/she ensures that the members of the Board of Directors are able to carry out their duties in the best possible conditions, in particular by ensuring that they are provided with a high level of information in advance of Board meetings.

In the context and for the purposes of carrying out his/her duties, the Lead Director may occasionally attend, without the right to vote, meetings of the Board committees of which he/she is not a member. He/she has access to the work of these committees and the information that is provided to their members.

The Lead Director meets with the Directors periodically, and at least once a year, without the presence of the executive or internal corporate officers, in order to assess the performance of the Chairman and Chief Executive Officer and, where applicable, the Deputy Chief Executive Officers, and to reflect on the future of management. These meetings are chaired by the Lead Director.

I.6.2. Managing conflicts of interest

The duties of the Lead Director are, in conjunction with the Compensation and Nominating Committee, which it may consult and meet with to discuss these matters as necessary, the regular implementation of the procedures aimed at identification and analysis, and the provision of information on situations that may fall within the scope of managing and preventing the occurrence of conflicts of interest within the Board of Directors and the executive corporate officers.

He/she is informed, or informs him/herself, of any conflicts of interest, potential or proven, of which he/she would be aware concerning the executive corporate officers and the other members of the Board. He/she informs the Chairman of the Board of Directors and the Chairman of the Compensation and Nominating Committee and, if the latter regards this as necessary, the Board of Directors.

The Lead Director, as and when required, may make recommendations to the Compensation and Nominating Committee and to the Board of Directors about the management of any conflicts of interest that he/she may have detected or of which he/she has been informed.

I.7. Board of Directors' meetings and proceedings

The Board of Directors meets whenever the Company's interests so require, at least four times a year, either at the registered office or at any other place indicated in the notice of meeting. Board members are invited by the Chairman to meetings of the Board of Directors by any means, including verbally. 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, if the executive management is not exercised by the Chairman of the Board of Directors. The Lead Director may also ask the Chairman to convene a Board meeting if there is a specific point whose importance or urgent nature justifies the holding of an extraordinary meeting.

Directors are provided with all the information required to perform their duties and may ask for any document they deem useful.

Board meetings are chaired by the Chairman or, in the Chairman's absence, by the Lead Director, or, in the absence of the latter, a Board member designated for this purpose.

The Board may not validly deliberate unless at least half the Board members are present. Decisions are made by a majority of the votes of Board members present and represented.

Board members who attend the meeting via videoconferencing 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 Board member with a conflict of interest, even a potential conflict, not to participate in the deliberations.

In fiscal year 2017, the Board of Directors met seven times (the attendance rate of Directors at Board meetings was 88%):

- on January 27, 2017, the Board of Directors' meeting was attended by seven members. The Board discussed the following agenda:
 - presentation by the Chairman of the Board of Directors of the report for 2016 and the main areas of strategy,
 - report of the Audit Committee – minutes of the meeting of January 25, 2017,
 - review of the estimated consolidated financial data at November 30, 2016,
 - approval of the 2017 budget – review and approval of the draft management documents and the report analyzing these documents,
 - review and approval of the draft press release on the 2016 annual results,
 - report of the Compensation and Nominating Committee: Minutes of the meeting of January 18, 2017,
 - compensation of corporate officers and management for fiscal years 2016 and 2017,
 - amount of directors' fees – allocation for fiscal year 2016,
 - adoption of new Internal Rules for the Board – creation of an Investments Committee,
 - recording of the resignation of a director – co-option of a director,
 - powers for formalities;
- on March 2, 2017, the Board of Directors met, attended by seven members. The Board discussed the following agenda:
 - report of the Audit Committee – minutes of the meeting of February 28, 2017,
 - report of the Compensation and Nominating Committee: Minutes of the meeting of February 28, 2017,
 - compensation of corporate officers and management for 2017,

- review of Company policy regarding gender and pay equality,
- review and approval of the statutory financial statements at November 30, 2016 and the proposed appropriation of net profits for the fiscal year,
- review and approval of the Consolidated Financial Statements for the fiscal year ended November 30, 2016,
- 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,
- 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 and approval of the draft press release relating to the notice of Shareholders' Meeting and the dividend for the fiscal year ended November 30, 2017,
- assessment of the status of Independent Director of Sophie Lombard,
- HR presentation;
- on April 24, 2017, the Board of Directors' meeting was attended by seven members. The Board discussed the following agenda:
 - minutes of the Audit Committee meeting of April 24, 2017,
 - review of the financial statements for the first quarter of 2017,
 - minutes of the meeting of the Compensation and Nominating Committee of April 24, 2017,
 - 2016 bonus share plan – definitive award,
 - marketing presentation;
- on May 11, 2017, the Board of Directors' meeting was attended by six members. The Board discussed the following agenda:
 - option for payment of the dividend in shares – setting of the issue price in shares,
 - implementation of the share buyback program,
 - 2016 bonus share plan – determination of vesting conditions,
 - 2017 bonus share plan – determination of vesting conditions;
- on July 10, 2017, the Board of Directors' meeting was attended by eight members. The Board discussed the following agenda:
 - report of the Audit Committee: Minutes of the meeting of July 10, 2017,
 - business activities in the first half of 2017,
 - review and approval of the half-yearly Consolidated Financial Statements at May 31, 2017,
 - update III: Presentation of the revised 2017 Plan,
 - report of the Compensation and Nominating Committee: Minutes of the meeting of July 10, 2017,
 - 2015 bonus share plan – definitive award,
 - structured employee shareholding – implementation of a leveraged FCPE,
 - assessment of the operation of the Board of Directors;
- on September 28, 2017, the Board of Directors' meeting was attended by seven members. The Board discussed the following agenda:
 - report of the Audit Committee: Minutes of the meeting of September 28, 2017,
 - presentation of the estimated consolidated financial data at August 31, 2017,
 - review and approval of the revised draft management documents for 2017 and of the report analyzing those documents,
 - presentation on developments concerning major risks resulting from risk mapping,
 - reflection on the remuneration of the corporate officer and bonus share plans of the group's employees,
 - adoption of the new Audit Committee charter;
- on November 8, 2017, the Board of Directors' meeting was attended by six members. The Board discussed the following agenda:
 - proposal on structuring the compensation for the corporate officer,
 - proposal for the appointment of a Lead Director,
 - appointment of a new member of the Compensation and Nominating Committee,
 - updating of the Code of Ethics,
 - determination of interim financial position at May 31, 2017,
 - structured employee shareholding – implementation of a leveraged offer reserved to employees.

Since November 30, 2017, the Board of Directors has met twice:

- on January 29, 2018, the Board of Directors' meeting was attended by six members. The Board discussed the following agenda:
 - presentation by the Chairman of the Board of Directors of the report for 2017 and the 2018 forecasts,
 - report of the Audit Committee: Minutes of the meeting of January 26, 2018,
 - review of the estimated consolidated financial data at November 30, 2017,
 - approval of the 2018 budget – review and approval of the draft management documents and the report analyzing these documents,
 - review and approval of the draft press release on the 2017 annual results,
 - report of the Compensation and Nominating Committee: Minutes of the meeting of January 29, 2018,
 - compensation of corporate officers and management for fiscal years 2017 and 2018,
 - adoption of the new Internal Rules for the Board of Directors,
 - dividend payment proposal,

- shareholding structure,
- points on certain material transactions,
- marketing presentation;
- on March 7, 2018, the Board of Directors' meeting was attended by seven members. The Board discussed the following agenda:
 - report of the Audit Committee – minutes of the meeting of March 5, 2018,
 - review and approval of the statutory financial statements at November 30, 2018 and the proposed appropriation of net profits for the fiscal year,
 - review and approval of the Consolidated Financial Statements for the fiscal year ended November 30, 2017,
 - 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,
 - renewal of the share buyback program,
 - prior approval of the services provided by the Statutory Auditors;
 - report of the Compensation and Nominating Committee: minutes of the meetings of February 22 and March 5, 2018;
 - compensation of corporate officers and management for 2018;
 - review and approval of the report of the Board of Directors on the principles and criteria for determining, distributing and allocating the fixed, variable, and non-recurring components making up the total compensation and benefits of any kind attributable to executive corporate officers;
 - review of Company policy regarding gender and pay equality;
 - recording of the end of the terms of office of directors – proposal to reappoint them;
 - proposal to appoint a new Director;
 - proposal to amend the Company bylaws;
 - proposal to appoint a Director representing employee shareholders;
 - award of bonus shares;
 - amount of directors' fees: breakdown for fiscal year 2017;
 - adoption of new Internal Rules;
 - notice of meeting of a Combined Ordinary and Extraordinary Shareholders' Meeting and setting the agenda and the text of the draft resolutions,
 - review and approval of the draft press release relating to the convening of the Shareholders' Meeting and the dividend for the fiscal year ended November 30, 2017,

I.8. 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.8.1. Members of the administrative bodies

At the Combined Ordinary and Extraordinary Shareholders' Meeting of April 15, 2016, the total amount of directors' fees allocated annually to the Board of Directors was set at €300,000 as from the fiscal year ended November 30, 2016 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 Board members.

The Board's Internal Rules provide that directors' fees are allocated to Board members who perform no duties within Kaufman & Broad group 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 of these Committees.

On the recommendation of the Compensation and Nominating Committee, the Board of Directors, at its meeting on March 7, 2018 resolved to pay directors' fees for 2017:

- in a maximum individual amount of €50,000 to the directors of the Company who are considered independent, namely: Sylvie Charles, Jean-Louis Chaussade, Yves Gabriel, Sophie Lombard, and Caroline Puechoultres;
- in a maximum individual amount of €20,000 to the Company's other directors, with the exception of the Chairman and Chief Executive Officer, who does not receive directors' fees.

Directors' fees allocated to each director for fiscal year 2017 take into account the attendance of each of them at the meetings of the Committees and of the Board of Directors.

I.8.2. Members of the management bodies

The Board of Directors sets the compensation of the Company's executive 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.

The Board, with the assistance of the Compensation and Nominating Committee, 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 compensation paid to other executive officers and employees of the group and, secondly, with market rates, with the performance of the executive officer concerned and with the general interests of the Company; and that the compensation will attract, retain and/or motivate high-caliber executive officers.

Nordine Hachemi, Chairman and Chief Executive Officer:

The Chairman and Chief Executive Officer's annual compensation, for fiscal year 2017, comprises 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: Revenues, EBITDA, attributable net income, WCR, annual housing unit orders, number of lots approved by the Commitment Committee for fiscal year 2017;
- 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 executive officers 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 2017, the Company paid contributions to this plan of €25,073, 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 removal from office for any reason other than gross misconduct, as defined in labor law by the Cour de Cassation, the Company undertakes to pay to the Chairman and Chief Executive Officer compensation for loss of office intended to compensate him for the loss suffered by termination of his position.

In the event of removal, 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.

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 a gross lump-sum monthly compensation equivalent to 50% of the average monthly fixed gross compensation he received during the 12 months preceding the termination of his mandate (or the duration of the mandate, if this is shorter). However, the Company will have the option of reducing this term or releasing the executive from this commitment.

Pursuant to Article L. 225-42-1 of the French Commercial Code, the provisions relating to the commitments made for 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 15, 2016.

At its meeting of March 7, 2018, the Board of Directors endorsed, on the proposal of the Compensation and Nominating Committee, the components of his annual compensation for 2018.

The Chairman and Chief Executive Officer's annual compensation for fiscal year 2018 comprises a fixed and a variable part (in the form of cash and performance shares, as deferred payment). This profit sharing incentive is calculated as follows:

- as to 70% of its amount: based on the following quantitative components, each subject to weighting: Revenues, EBITDA, attributable net income, WCR, annual housing unit orders, number of lots approved by the Commitment Committee for fiscal year 2017;

- as to 30% of its amount: based on qualitative components.

This variable compensation will be paid to Nordine Hachemi in January 2019 provided that he is still with the Company at that date. The performance shares will be definitively awarded to Nordine Hachemi according to the same performance conditions as his annual variable compensation in cash and on condition that he is still in office when they are definitively awarded.

At its meeting of March 7, 2018, the Board of Directors also proposed to implement, in 2018, long-term compensation for the Chairman and Chief Executive Officer based on the award of bonus shares to the latter, with a vesting period of three years and a lock-in period of one year. More details of these elements are provided in 9.3 in the "Report on the principles and criteria for determining, distributing and allocating the fixed, variable and extraordinary components of the total compensation and benefits of any kind attributable to executive corporate officers";

Information on the compensation paid to the executive 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.

I.9. Independence of directors

The Company's Board of Directors currently comprises five independent members from a total of eight members. Four are independent pursuant to the AFEP-MEDEF Code of Corporate Governance of December 2008, as revised in November 2016. They are Sylvie Charles, Caroline Puechoultres, Yves Gabriel and Jean-Louis Chaussade.

Sophie Lombard informed the Board that she had resigned in September 2016 from her office as Executive Vice-President and Director of Financière Gaillon 8, and confirmed that she had had no contractual links with PAI Partners since November 2016 and that, in this regard, she no longer received any remuneration from PAI Partners and that, as a result, she regarded herself as free of any interest in respect of Financière Gaillon 8 and PAI Partners.

The Compensation and Nominating Committee considered, under these circumstances, that Sophie Lombard could qualify as independent. The Board of Directors, at its meeting of March 2, 2017, approved this qualification as an Independent Director as of December 1, 2016.

The Board's decision is in line with the recommendations of the AFEP-MEDEF Code, which stipulates that the board of directors may decide that a director who does not meet the criteria set forth in the Code is nevertheless independent.

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 who has no special interest relationships (major shareholder, employee, other) with them."

The criteria to be reviewed by the Committee and the Board for a director to qualify as independent, and to prevent any risk of conflicts of interest between the director and Executive 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 nor 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 a key customer, supplier, investment banker or commercial banker of the Company or its group or for which the Company or its group represents a significant 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 lead to such determination must be explained in the Registration Document;

- does not have close family ties with a corporate officer;
- has not been a Statutory Auditor of the Company within the previous five years;
- has not been a Director of the Company for at least 12 years.

The AFEP-MEDEF Code stipulates that the Board of Directors may estimate that a director, although meeting the criteria laid down, cannot qualify as independent given his/her specific situation or that of the Company, with regard to its shareholding structure or for any other reason. Conversely, the Board may decide that a Director who does not meet the said criteria is nevertheless independent.

Note however 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.10. Operation of the Board of Directors

I.10.1. Membership

At the date of this document, the Board of Directors of Kaufman & Broad SA comprises eight Directors contributing different and complementary experience due to their diverse profiles:

Name	Age ⁽¹⁾	Compensation and Nominating Committee	Audit Committee	Investments Committee	Board of Directors	Years of service on the Board	Date of first appointment	End of current term ⁽²⁾	Number of Company shares held
Chairman and Chief Executive Officer									
Nordine Hachemi	56				✓	5	6/25/2013	2017	22,806 ⁽³⁾
Independent Directors									
Sylvie Charles	58		✓	✓	✓	6	2/16/2012	2017	250
Jean-Louis Chaussade	66				✓	1	1/27/2017 ⁽⁴⁾	2018	250
Yves Gabriel	67	✓	✓	✓	✓	2	3/8/2016	2018	250
Sophie Lombard	48	✓	✓	✓	✓	11	7/10/2007 ⁽⁵⁾	2017	250
Caroline Puechoultres	48	✓			✓	4	9/30/2014	2017	250
Other Directors									
Frédéric Stévenin	51				✓	11	7/10/2007	2017	250
Michel Paris	60				✓	3	7/7/2015	2018	250

(1) At March 7, 2018.

(2) Approval of the financial statements for the year.

(3) Nordine Hachemi also holds 25% of the capital of the company Artimus Participations, which itself held 10.43% of the company's capital at February 28, 2018.

(4) The co-option of Jean-Louis Chaussade to replace Alexandre Dejoie, who resigned, was approved by the Shareholders' Meeting of May 11, 2017.

(5) Note that Sophie Lombard was not a Director of the company from January 20, 2010 to September 29, 2010.

At the Shareholders' Meeting called to approve the 2017 financial statements, the shareholders will be asked to reappoint as Directors Sylvie Charles, Sophie Lombard, Caroline Puechoultres, Nordine Hachemi, and Frédéric Stévenin for a three-year period, i.e. until the close of the Shareholders' Meeting called to approve the financial statements for the fiscal year ending November 30, 2020.

The shareholders will also be asked to appoint Karine Normand, Head of the Accounting and Consolidation Department, as a Director representing employee shareholders.

The list of the various offices held by the Company's directors other than in the group's subsidiaries over the past five years is set forth in Section 3.1.1.1. "Members of the Board of Directors" of the Company's Registration Document.

I.10.2. Annual assessment

In accordance with the AFEP-MEDEF Code of Corporate Governance and with the provisions of the Board's Internal Rules, which can be found on the Company's website, the Board of Directors must dedicate, at least once a year, one agenda item to the assessment of its own

operation and those of its special committees, under the oversight of the Lead Director. A formal assessment is conducted every three years under the direction of the Lead Director or an independent Board member, with the assistance of an external consultant if applicable. The criteria for the assessment of the operation of the Board for fiscal year 2017 were delivered to the directors at the meeting of March 7, 2018. The outcome of this assessment will be presented at the next Board meeting.

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. Charter of the Audit Committee

A charter describes the organization, powers and operation of the Audit Committee. Its most recent update was approved on September 28, 2017 at a Board meeting, with the aim, in particular, of reflecting the retranscription into French law of the European audit reform.

II.1.2. Membership of the Audit Committee

The Audit Committee is composed of at least three members taken from the members of the Board, at least two-thirds of whom are Independent Directors, pursuant to the independence criteria adopted by the Company. It is chaired by an Independent Director.

The terms of office of members of the Audit Committee coincide with their terms of office as members of the Board of Directors. They may be renewed at the same time as the latter terms of office.

Members of the Audit Committee are selected in view, in particular, of their independence and their financial and/or accounting expertise. To this end, at least one independent member of the Committee has special expertise in financial and/or accounting matters acquired during the course of his/her professional career.

At the time of their appointment, members of the Audit Committee receive information regarding the specific nature of the Company's accounting, financial and operating procedures.

The Audit Committee comprises three independent members appointed for their term of office as directors: Sylvie Charles, appointed on February 16, 2012 and Chairman as of September 30, 2014, Sophie Lombard, appointed on September 29, 2010 and an Independent Director as of December 1, 2016, and Yves Gabriel, appointed on July 11, 2016 to replace Frédéric Stévenin, who resigned.

The fact that the Audit Committee is chaired by an Independent Director strengthens management oversight and ensures a balance of powers.

II.1.3. Duties of the Audit Committee

The Charter of the Company's Audit Committee stipulates that its members are required to conduct a preliminary review of the financial statements and risks of the Company, specifically by:

- reviewing the financial statements and the relevance and consistency of the accounting methods used to prepare the statutory financial statements and the consolidated half-year and annual financial statements and their scope of application;
- monitoring the effectiveness of internal control and risk management systems: in particular, the Audit Committee reviews the material off-balance sheet commitments of the Company and its subsidiaries;
- monitoring of the accounting treatment of any material transaction conducted by the Company;
- monitoring the internal data collection and control procedures and the quality and reliability of the Company's financial statements;
- controlling, before publication, all the accounting and financial documents, in particular in relation to the approval of the statutory financial statements and the half-year and annual Consolidated Financial Statements;
- reviewing provisions and their adjustments and any situation that could generate a significant risk for the group;
- monitoring the Company's financing policy and the risks related thereto;
- reviewing and providing an opinion to the Board of Directors on the procedure to select the Statutory Auditors, or, if applicable, an audit firm, and the monitoring of the independence and objectivity rules for Statutory Auditors.

The Audit Committee has all the resources it deems necessary to carry out its tasks. In particular, it may consult with the Company's Statutory Auditors and the group companies, financial, accounting, treasury and internal audit managers, or any other experts that it has selected based on their expertise and independence, including without the presence of the Company's management.

In order to monitor the effectiveness of the internal control and risk management systems, the Audit Committee ensures the deployment and implementation of corrective actions if significant weaknesses or anomalies are identified in these systems. It is also informed about the main findings of the Statutory Auditors and the Internal Audit Department.

The Audit Committee gives its opinion on the organization of the Internal Audit Department and is informed about its work program. It must receive the internal audit reports or a periodic summary of these reports.

The Audit Committee must consult the Statutory Auditors on a regular basis, including without the presence of executives. In particular, it must consult the Statutory Auditors during Audit Committee meetings dealing with the review of the financial reporting process and the review of the financial statements, in order to report on the performance of their duties and the conclusions of their work.

The Audit Committee must oversee the procedure for selecting and reappointing the Statutory Auditors, and submit to the Board of Directors a recommendation on the Statutory Auditors whose appointment is proposed to the Shareholders' Meeting.

Furthermore, to enable it to monitor the independence and objectivity rules for the Statutory Auditors throughout their term of office, the Audit Committee must be provided with the following on an annual basis:

- the statement of independence of the Statutory Auditors;
- the amount of fees paid to the Statutory Auditors' network by entities controlled by the Company, or by the entity which controls it, for the delivery of services not directly related to the duties of the Statutory Auditors;
- information on the performance of the procedures directly related to the Statutory Auditors' duties.

The statutory audit of the Company's financial statements must exclude any procedures not related to the statutory audit. However, after prior approval by the Audit Committee, ancillary or directly supplementary audit work may be performed, such as acquisition or post-acquisition audits, but excluding valuation and consulting work.

The Charter of the Audit Committee thus specifies the rules and procedures relating to the provision by the Statutory Auditors of a service other than the certification of the financial statements.

II.1.4. Audit Committee Procedures

Meetings of the Audit Committee are validly held if at least half its members are present. Meetings of the Audit Committee are convened by its Chairman or, if applicable, the Chairman of the Board of Directors.

Furthermore, two Committee members may convene a meeting of the Committee if they believe it necessary to discuss one or more specific matters.

The Audit Committee's agenda is set by the Chairman of the Audit Committee.

The Committee meets whenever necessary and, in any event, at least four times a year. Meetings are held prior to meetings of the Board of Directors and, as far as possible, at least two days prior to this meeting if the Committee's agenda includes a review of the annual and half-year financial statements prior to their approval by the Board of Directors.

The Audit Committee's review of the annual or half-year 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 Audit Committee may also, whatever its meeting agenda, consult with employees of the Company or the Statutory Auditors without the presence of the Company's management, who are informed of this in advance.

Members of the Audit Committee and meeting participants are bound by professional secrecy.

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 Audit Committee is the secretary of the Board of Directors.

The Audit Committee receives important documents within its remit (financial analysts' ratings, ratings from rating agencies, summaries of audit assignments, etc.). It may request additional reports if it wishes.

The Audit Committee makes its decisions by a majority of the members attending the meeting, with each member holding one vote.

II.1.5. Compensation paid to members of the Audit Committee

Please see Section I.8.1. "Compensation and benefits granted to corporate officers", above.

II.1.6. Audit Committee meetings

In fiscal 2017, the Audit Committee met five times (the attendance rate of directors at Audit Committee meetings was 100%):

- on January 25, 2017, the Audit Committee meeting was attended by three members. The Committee discussed the following agenda:
 - review of the estimated consolidated financial data at November 30, 2016,
 - comments of the Statutory Auditors on the consolidated financial data estimated at November 30, 2016,
 - review of the 2017 budget;
- on February 28, 2017, the Audit Committee meeting was attended by three members. The Committee discussed the following agenda:
 - review of the notes to the Consolidated Financial Statements at November 30, 2016,
 - review of the statutory financial statements at November 30, 2016 and the proposed appropriation of net profits for the fiscal year,
 - comments of the Statutory Auditors on the statutory financial statements at November 30, 2016,
 - review of the Chairman's report on Corporate Governance and internal control,
 - Internal audit: results of the H2 2016 tests on the internal control system, 2016 annual summary and 2017 provisional plan,
 - presentation of the draft report of KPMG, an independent third-party body, on the corporate, environmental and societal information included in the management report;
- on April 24, 2017, the Audit Committee meeting was attended by three members. The Committee discussed the following agenda:
 - review of the financial statements for the first quarter of 2017;
- on July 10, 2017, the Audit Committee meeting was attended by three members. The Committee discussed the following agenda:
 - review of business activities in the first half of 2017,
 - review of the estimated financial data for the first half of 2017 and review of the main potential risks identified to date,
 - internal audit: presentation of the results of the DCI (Internal Control System) tests at the end of the first quarter of 2017,
 - update III: presentation of the revised 2017 Plan;
- on September 28, 2017, the Audit Committee meeting was attended by three members. The Committee discussed the following agenda:
 - review of the estimated consolidated financial data at August 31, 2017,

- quarterly results of the internal control system tests,
- presentation of the new Charter of the Audit Committee (including services other than the certification of the annual financial statements),
- presentation of trends in major risks arising from risk mapping.

Since November 30, 2017, the Audit Committee has met twice:

- on January 26, 2018, the Audit Committee meeting was attended by two members. The Committee discussed the following agenda:
 - review of the estimated consolidated financial data at November 30, 2017,
 - comments of the Statutory Auditors on the consolidated financial data estimated at November 30, 2017,
 - review of the 2018 budget,
 - presentation of trends in major risks arising from risk mapping;
- on March 5, 2018, the Audit Committee meeting was attended by three members. The Committee discussed the following agenda:
 - review of the notes to the Consolidated Financial Statements at November 30, 2017,
 - review of the parent company financial statements at November 30, 2017 and the proposed appropriation of income for the fiscal year,
 - comments of the Statutory Auditors on the parent company financial statements at November 30, 2017,
 - review of the Chairman's report on corporate governance and internal control,
 - internal audit: results of the H2 2017 tests on the internal control system, 2017 annual summary and 2018 provisional plan,
 - presentation of the draft report of KPMG, an independent third-party body, on the corporate, environmental and societal information included in the management report,
 - prior approval of the services provided by the Statutory Auditors.

The Statutory Auditors attended all meetings of the Audit Committee and were also invited to make any observations they considered useful to bring to the attention of the members of the Committee.

II.2. Compensation and Nominating Committee

II.2.1. Membership and duties

The Board's Internal Rules provide that the Compensation and Nominating Committee is composed of at least three Directors, at least half of whom must be independent. It is chaired by an Independent Director. It currently comprises Yves Gabriel, an Independent Director appointed on July 11, 2016 and Chairman as of that date, Sophie Lombard, an Independent Director appointed at the Board meeting of February 17, 2011, and Caroline Puechoultres, an Independent Director appointed at the Board meeting of September 30, 2014.

The duties of the Compensation and Nominating Committee are to assist the Board of Directors in determining the compensation paid to corporate officers and other executive officers of the Company. 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 the directors, based on their attendance at meetings of the Board and its Committees.

The Committee also provides the Board of Directors with advice on the general policy for the award of stock warrants and/or stock options and bonus shares, and on the stock option plans prepared by the group's Executive Management. The Committee also submits recommendations to the Board on awards of stock options or stock warrants or awards of bonus shares.

Lastly, it formulates proposals to the Board of Directors in respect of the appointment and/or reappointment of the corporate officers, the directors and the members of the Committees, taking account of the balanced representation of men and women and in accordance with a policy of non-discrimination.

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 remit.

Meetings may take place via videoconference or by conference call.

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's Charter as a reminder that:

- the Committee establishes a succession plan for executive corporate officers and directors so that it is in a position to advise the Board on options for succession in case of unforeseen events; and
- when making its recommendations for the appointment of corporate officers, directors and Committee members, the Committee must, in the interest of the Company and of all its shareholders, 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 of members of the Compensation and Nominating Committee

Please see Section I.8.1. "Compensation and benefits granted to corporate officers", above.

II.2.3. Meetings of the Compensation and Nominating Committee

In fiscal year 2017, the Compensation and Nominating Committee met five times (the attendance rate of directors at meetings of the Compensation and Nomination Committee was 62%):

- on January 18, 2017, the Compensation and Nominating Committee meeting was attended by three members. The Committee discussed the following agenda:
 - reminder of the role of the Compensation and Nominating Committee,
 - proposed renewal of the terms of office of the directors and proposed appointment of a new director,

- variable remuneration of the corporate officers and senior executives who are members of the Executive Committee for fiscal year 2016,
- bonus share award of April 15, 2016 – achievement of the performance criteria set for Nordine Hachemi in relation to the 2016 ordinary plan and the 2016 extraordinary plan,
- remuneration of the corporate officers and senior executives who are members of the Executive Committee for fiscal year 2017. Amounts of variable remuneration, criteria, weightings, objectives and the tables of calculations of the variables,
- bonus share award – proposals for the new plan, performance criteria for the award of shares to the corporate officers and senior executives and the award criteria by population,
- amount of directors' fees – proposed allocation for 2016;
- on February 28, 2017, the Compensation and Nominating Committee meeting was attended by two members. The Committee discussed the following agenda:
 - 2016-2017 wage policy: compensation analysis and budget management,
 - compensation of corporate officers, senior executives, and Executive Committee members for fiscal year 2017 – amount, criteria, weightings, objectives, and tables for the calculation of variables,
 - proposed update of the corporate officer contract,
 - bonus share award – proposal for the new plan, proposal of performance criteria for the award of shares to the corporate officers and senior executives – proposal for award criteria by population,
 - qualification of Sophie Lombard as an Independent Director;
- on April 24, 2017, the Compensation and Nominating Committee met, attended by two members. The Committee discussed the following agenda:
 - definitive award of bonus shares which have been authorized by the Shareholder's Meeting of April 15, 2016,
 - bonus share award – proposal for 2017 – approval of draft regulations for bonus share plans ("2017 First Plan" at the end of the Shareholders' Meeting of May 11, 2017 and the "2017 Second Plan" at the end of the Extraordinary Shareholders' Meeting of April 15, 2016);
- on July 10, 2017, the Compensation and Nominating Committee meeting was attended by two members. The Committee discussed the following agenda:
 - changes to the composition of the Board of Directors,
 - plan to implement a leveraged FCPE under the 18th resolution of the Shareholders' Meeting of May 11, 2017,
 - proposed study of a mechanism for the allocation of bonus preference shares (AGAP);
- on October 12, 2017, the Compensation and Nominating Committee meeting was attended by two members. The Committee discussed the following agenda:
 - compensation of the corporate officer,
 - bonus share plan for group employees,

- bonus share plan for the members of the Expanded Management Committee.

Since November 30, 2017, the Compensation and Nominating Committee has met three times:

- on January 29, 2018, the Compensation and Nominating Committee meeting was attended by two members. The Committee discussed the following agenda:
 - proposed renewal of the terms of office of the directors and proposed appointment of a new director,
 - variable remuneration of the corporate officer and senior executives who are members of the Executive Committee for fiscal year 2017,
 - award of bonus shares under the "2017 First Plan" and "2017 Second Plan" – achievement of the performance criteria set for the corporate officer and senior executives, members of the Executive Committee and the Expanded Management Committee for a definitive award of the shares under the two plans authorized by the Shareholders' Meetings of May 11, 2017 and April 15, 2016,
 - compensation of the corporate officer and senior executives who are members of the Executive Committee for fiscal year 2018,
 - the amounts of variable remuneration, criteria, weightings, objectives, tables of calculations of the variables, and vehicle budget;
- on February 22, 2017, the Compensation and Nominating Committee meeting was attended by three members. The Committee discussed the following agenda:
 - compensation of the corporate officers and the corporate officer for 2018: fixed compensation, annual variable compensation, long-term incentive compensation,
 - compensation of senior executives and members of the Executive Committee for 2018, fixed compensation, annual variable compensation,
 - proposed reappointment as Directors of Nordine Hachemi, Frédéric Stévenin, Sophie Lombard, Caroline Puechoultres, and Sylvie Charles,
 - proposal to appoint a new Director,
 - amount of directors' fees – proposed allocation for 2017;
- on March 5, 2018, the Compensation and Nominating Committee meeting was attended by three members. The Committee discussed the following agenda:
 - award of bonus shares – proposed new plan; proposed performance criteria for the definitive award of shares to senior executives,
 - proposed new authorization by the Shareholders' Meeting in 2018 for the award of bonus shares,
 - proposed reappointment of Nordine Hachemi as Chairman of the Board of Directors exercising executive management of the Company;
 - Amount of directors' fees – proposed allocation for 2017.

II.3. Investments Committee

II.3.1. Membership and duties

The Board's Internal Rules, updated at the meeting of the Board of Directors of January 27, 2017, stipulate that the Investments Committee, created on January 27, 2017, shall be composed of at least three members taken from the members of the Board, at least half of whom shall be Independent Directors in accordance with the independence criteria adopted by the Company. It is chaired by an Independent Director. It currently comprises three Independent Directors, appointed at the meeting of the Board of Directors of January 27, 2017: Sophie Lombard, an Independent Director as of December 1, 2016, Sylvie Charles, and Yves Gabriel.

The Investments Committee meets at least twice a year, and as many times as necessary, according to the development of the Company's activities. Meetings may take place via videoconference or by conference call.

The Committee's duties are to review and issue an opinion on the following projects:

- any acquisition or disposal of an entity of a material amount that may change the structure of the Company's balance sheet, and in any event any acquisition or disposal with an enterprise value of more than €10 million;
- material investment projects that do not, in the opinion of Executive Management, meet the selection and risk criteria set by the Company and described in Section 1.1.8. of the Company's Registration Document (such as, for example, an investment involving the establishment of a corporate structure or a fund in which the group invests alongside other promoters or investors, that will carry land or real estate assets for a long period of time), and involving a risk with a unit value of more than €3 million and, more generally, any investment project outside the ordinary course of business of the Company and its group.

Once a year, the Investments Committee meets to review the amount of the risks borne in relation to the investment projects reviewed in accordance with the previous paragraph, as reassessed by Executive Management. Assuming that the total amount of risks thus reassessed is greater than €15 million, any new investment project meeting the above criteria and presented by the Executive Management to the Investments Committee must be approved by the Board of Directors; in the event of approval by the Board of Directors, said amount must be increased accordingly.

Lastly, the 10 largest transactions under way in terms of financial investment must be presented to the Investments Committee at each of its meetings.

II.3.2. Compensation of members of the Investments Committee

Please see Section I.8.1. "Compensation and benefits granted to corporate officers", above.

II.3.3. Meetings of the Investments Committee

The Investments Committee met once in the fiscal year 2017, on June 1, 2017, with the attendance of all its members.

III. Information concerning factors likely to 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 likely to 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 attendance by shareholders at 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 attendance by shareholders at Shareholders' Meetings are also provided in the Company's Registration Document.

Part II: Internal control and risk management system

I. Objectives and scope of Kaufman & Broad's internal control and risk management system

The Kaufman & Broad group applies AMF guidelines for the design, management and assessment of its Internal Control System. None of the group's entities uses any other framework.

The internal control and risk management system in force within the Kaufman & Broad group is intended in particular to ensure that:

- management action, decisions and/or the execution of transactions, as well as the behavior of the staff, comply with statute and regulations;
- the group's Executive Management's instructions and priorities are applied;
- the Company's internal processes, especially those contributing to the safety of assets function properly;
- the accounting, financial and management information disclosed to corporate bodies and external parties is presented fairly.

The Internal Control System implemented by the group's Executive Management provides for 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 Executive Management is an essential step in identifying the Company's risks.

One of the objectives of the Internal Control System is to prevent and to control risks resulting from the Company's business activities, as well as risks linked to error or fraud, especially in the financial and accounting areas. As with any control system, however, it cannot provide an absolute guarantee that such risks have been totally eliminated, and it seeks to obtain reasonable assurance that the objective of the Internal Control System 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 Europe SAS (because of its limited contribution to the consolidated results of Kaufman & Broad SA).

II. Environment and organization of internal control

II.1. General organization of internal control

II.1.1. Executive Management

Executive 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 with a dual structure based on the Regional Operational Divisions, which are profit centers located in France according to the group's development strategy, and the functional departments, which provide control, expertise and advice for the operational departments. These are, in particular, the departments of:
 - Finance,
 - Institutional Sales and Large Projects,
 - Human Resources,
 - Innovation, Quality and Architecture;
- a centralized organizational structure: Kaufman & Broad centralizes in its head office the main decision-making and procedural functions, in particular: all the acquisitions of land subject to prior approval by the Land Committee and the Commitment Committee; the recognition of revenues and their associated costs; and the consolidation process. Limited autonomy is therefore given to the regional divisions for important decisions affecting internal control and the financial statements;
- 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

The management of the group is organized under the leadership of the Chairman and Chief Executive Officer, Nordine Hachemi, as well as other senior executives of the group.

Since January 1, 2016, the management bodies have changed and are now primarily made up of an Executive Committee and a Management Committee, which can meet as an Extended Management Committee.

II.2.1. Executive Committee

Kaufman & Broad's Executive Committee has seven members:

Nordine Hachemi – Chairman and Chief Executive Officer; Bruno Coche – Chief Financial Officer; Christian Delapierre – Senior President Institutional Sales and Île-de-France, Inner Paris Suburbs; David Laurent – Senior President Commercial Property and Major Urban Projects; Dominique Podesta – Senior Vice-President Human Resources; Jacques Rubio – Senior President Southwest Region and Managed Accommodation; William Truchy – Senior President Major Regions, Marketing, Communications and Digital, Architecture-Quality and Innovation and Marketing Management.

The Executive Committee implements the group's strategy and monitors its deployment, in particular through the Annual Plan by business activity. Finally, it defines any organization adjustments that may be required based on the strategic decisions of the Board of Directors and ensures their implementation.

II.2.2. Management Committee

The Management Committee of Kaufman & Broad has 14 members: the members of the Executive Committee, as well as: Chrystèle Marchand, Director of Marketing, Digital and Communication; Frédéric Bourg, Senior Vice-President Île-de-France Operations; Christophe Court, Head of Residential Property Marketing (as of June 1, 2017); Cyril Doucet, Regional Senior Vice-President, Outer Paris Suburbs; Christophe Duretete, Regional Senior Vice-President Grand Ouest (as of December 1, 2017); Marc Speisser, Regional Senior Vice-President Grand Est; and Thierry Verninas, Head of Innovation, Quality and Architecture. The Management Committee monitors the implementation of the Plan by business activity. It proposes improvement initiatives and sets the objectives to be deployed in the agencies and divisions. It contributes to the definition and implementation of the group's projects.

The Management Committee may meet as the Extended Management Committee consisting of the Management Committee together with the Agency Directors and the heads of the cross-functional operating departments. The Extended Management Committee defines and monitors the implementation of the Plan by the agencies, while ensuring compliance with our commitments to stakeholders, and in particular our partners and customers.

II.2.3. Land Committee and Commitment Committee

These Committees are composed of the Chairman and Chief Executive Officer, the Chief Financial Officer and the Senior Vice-Presidents in charge of the Regions. The Committees review each project for which the signature of a land acquisition agreement is planned.

Land Committee: familiarization with real estate projects, starting with the initial concept

The Land 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 contract of sale and the payment of earnest money (particularly in the case of unilateral contracts of sale).

Commitment Committee: authorization to continue the analysis of a project

The members of the Commitment Committee meet prior to filing the building permit application, in order to: approve the strategy for the program in question (particularly the commercial and technical aspects); validate the updated budget that will be considered as the reference budget; approve the type and structure of the program; authorize the filing of the building permit application; and authorize the call for tenders 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.2.4. Quarterly Committee for the Review of Real Estate Programs

Every quarter, prior to preparation of the financial statements, Executive Management and the Finance Department review, with each Agency Director, the real estate programs that have been approved by the Land Committee, and assess the 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 members of the Quarterly Committee to approve the budgets for real

estate programs that enable preparation of the group's Consolidated Financial Statements.

II.2.5. Monthly Meeting to review the Consolidated Financial Statements and related indicators

The Members of the Finance Department meet each month to analyze: actual vs. projected consolidated financial data; sales activity; acquisitions of land; updates for projects in progress; newly launched projects; and deliveries for the period.

II.3. Cross functional support services

The Finance Department groups together the departments listed below, which 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:

- manage the planning processes;
- implement the reporting, steering and decision-making tools adapted to the various levels of responsibility and the various types of business activities;
- 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 monitor 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 reports to the Chief Financial Officer, 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 Department or the Audit Committee may also request this department to carry out ad hoc audit tasks on specific matters.

The 2017 Audit Plans were prepared by the Head of Internal Audit, who submitted them to the Chairman and Chief Executive Officer and the Chief Financial Officer before delivering them to the Audit Committee. Prior analysis of risks and changes in the group's environment and structure represent the starting point for setting priorities used to prepare these plans. The Internal Audit Department carried out controls on compliance with the Internal Control System during preparation of the

Consolidated Financial Statements and on compliance by the agencies with the operational Internal Control System.

II.3.3. Treasury and Financing Department

The negotiation and management of credit lines, the management of financings and investments, Performance Bonds, off-balance sheet commitments and interest rate risks are functions centralized within Kaufman & Broad's Treasury and Financing Department. This department 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 the accounting units (general accounting; accounts payable; accounts receivable and calls for funds/payments) and the Consolidation Department;
- preparation of the accounting and financial information documents in compliance with applicable formats and standards;
- the monitoring of changes to the accounting and consolidation systems;
- coordination with the Statutory Auditors and making available 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 these 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 advice both to the support services and operational units as part of the structuring of real estate programs, in particular for the preparation of contracts and transactions;
- establishment of signature powers for the execution of the instruments required for the real estate programs managed at the headquarters, and the establishment of signature powers enabling the execution of the land acquisition deeds for the entire group;
- monitoring of the group's litigation and its legal risks;
- implementation of preventive summary proceedings;
- legal oversight of all group structures.

II.3.7. Tax Department

All tax-related subjects, whether corporate or operational, are handled centrally by the Finance Department, within which a special section 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.

III. Risk management systems

III.1. Identified material risks

The identified material risks to which the group might be exposed are described in Section 1.2. "Risk factors" in the Company's Registration Document.

III.2. Process for identifying and managing risks

In order to maintain the effectiveness of its Internal Control System, Kaufman & Broad's Executive Management ensures on a regular basis that the Company relies on the appropriate procedures. For this purpose, it performs risk mapping.

Between 2015 and 2016, the group carried out an initiative to map out its major risks in relation to its objectives.

Risks were identified by interviews conducted with 21 Kaufman & Broad managers and senior executives, including primarily the Regional Vice-Presidents, the heads of the cross-functional departments in the headquarters, as well as the Agency Directors. These interviews made it possible to better identify the causes and potential consequences of each of these risks and the main control mechanism for their prevention.

The group's risk map was updated in 2017 on the basis of changes in pertinent indicators defined during the process of adjusting the weighting of major risks. The updated risk map was presented at the Audit Committee meeting of January 26, 2018.

Furthermore, pursuant to the Sapin II law, the group is currently drawing up its corruption risk map.

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;
- selection of the construction companies and supervision of the construction process;
- orders and sales.

For each of the identified strategic, financial, legal 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 (Land 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 calls for tenders;
- construction cost estimates;
- selection of construction companies;
- control of the financial soundness of contracting companies;
- the administrative authorizations required to implement the construction process;
- regulations governing health and safety plans;
- plans for execution 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 budgets (changes in sale prices or production costs for a project);
- calls for payments from customers and collections;
- variable compensation allocated to the real estate and sales employees.

III.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 Executive Management, which prioritizes and implements them.

The latest risk mapping update was carried out by a specialized firm in 2015.

IV. Key components of the Internal Control System implemented by the group

IV.1. Code of Ethics and Internal Rules

The Code of Ethics in force within the group was updated and supplemented by a Disciplinary Penalties Procedure in 2017 to take account of the changes in the group and the provisions of the Sapin II law. This Code, and the Disciplinary Penalties Procedure, are part of the Internal Rules distributed to all employees and provide for penalties in the event of breaches of the obligations provided for in the Code, the Internal Rules, and the applicable laws and regulations.

These documents, and the user charter for the use of IT resources and internet services, are signed by all the group's employees.

Under the Sapin 2 law, a whistle-blowing procedure was also set up within the group as of January 1, 2018, enabling employees to report any potential or actual breach of the Code of Ethics, Internal Rules, and the applicable laws and regulations. The whistle-blowing system that it covers includes a secure computer reporting module called "KB Ethics".

This information has also been communicated to all Group employees and is available on the Company intranet.

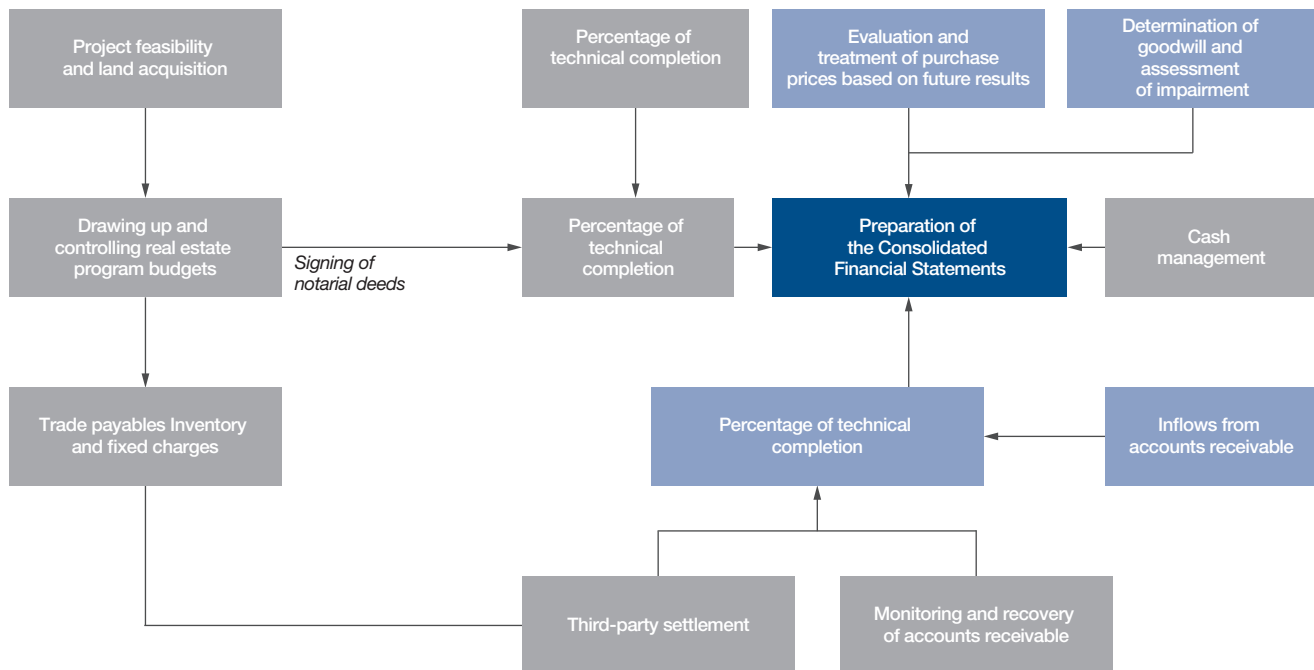
Training will take place in 2018 to complete this system in accordance with the provisions of the Sapin II law.

IV.2. Internal procedures

The internal control system covers 13 subjects, broken down into 26 separate procedures, with the major ones being as follows: land acquisition, management of calls for payment and customer collections, monitoring trade receivables, debt management, bank reconciliation, 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 orders, rate of progress, 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, change 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 group employees on the Kaufman & Broad intranet site.

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.

IV.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 relating to the use of IT resources. This document is handed to employees joining the Company, who are required to sign and return it to the Human Resources Department.

IV.4. Budget and management control

Planning

The operational planning process is decentralized to the regional level. This process is organized by Executive Management and the Finance Department, which define the governing principles and timetable, coordinate the process by entity, and verify overall consistency with the group's strategy.

The operational managers in the various agencies, assisted by their management controller, prepare a two-year plan, including a detailed budget for the next year, for their respective entities. The objectives proposed are approved by the Finance Department and Executive Management between October and January. The Finance Department 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 Executive 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 Executive 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 a budget control benchmark. These updates are validated by Executive Management and by the Finance Department during the meetings of Quarterly Committees bringing together the managers of each agency or subsidiary. These updates are presented at the Board of Directors' meetings preceding the publication of quarterly results.

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 Executive Management.

Planning and control of the achievement of signing targets

The signing targets are approved by Executive Management on the basis of revenue forecasts prepared by the directors of the agencies.

IV.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 period-end, 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 purchase 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 property programs by the regional divisions concerned. 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 Department at Quarterly Committee meetings, which include the Regional management and group Executive Management and the Finance Department 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 notarized deeds of sale for each housing unit sold before completion (VEFA) is a crucial element recorded by the declarations systematically issued by the civil-law notaries, for each individual sale.

IV.6. Control of liquidity and interest rate risks

For the analysis of the liquidity risk, the Company has set up an integrated process of establishing cash flow forecasts for each real estate program, managed by the Treasury and Financing Department and placed under the responsibility of the Finance Department.

With respect to interest rate risk, because the group's debt is indexed to floating rates, which exposes it to risks that may 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 April 4, 2016 (€100.0 million at November 30, 2017). The policy for the management of interest rate risk is set by Executive Management on the recommendation of the Finance Department.

IV.7. Legal and operational controls

For legal purposes, the Chairman and Chief Executive Officer and/or the Regional Senior Vice-Presidents of Kaufman & Broad SA are corporate officers of most of the group's subsidiaries, either in an individual capacity or as the 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/she represents.

At the operational level, each Agency Director receives his/her annual performance objectives in writing every year from Executive Management. The Agency Director and his/her team then take ownership of these objectives through active participation in the budget process.

At meetings of the Quarterly Committees, Agency Directors submit to the relevant regional Senior Vice-President and the Finance Department, 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 Land Committee and the Commitment Committee the details of any new program that he/she intends to develop.

Finally, Agency Directors are responsible for compliance with the group's internal control procedures within their own entities.

V. 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;
- monitoring of commitments;
- financial reporting;
- Management Control, Reporting and Financial Information Department.

V.1. Accounting and financial departments

The Finance Department is responsible for:

- defining group accounting rules and principles;
- defining the tax policy;
- determining periodic deadlines for all departments concerned in the preparation of the financial statements;

- implementing the reporting tools, and controlling the reliability of the basic financial data collection and processing procedures;
- verifying the accuracy 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 gaps between budget and actual, and implementing and monitoring the appropriate corrective measures;
- monitoring the availability of financial reporting, in the format and within the time limits required by Executive Management.

The Head of Accounting and Consolidation prepares the accounting and financial information under the responsibility of the Chief Financial Officer.

V.2. 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 Head of Accounting and Consolidation is responsible for preparing them.

Therefore, on the basis of fixed deadlines, the Head of Accounting and Consolidation distributes instructions to all units concerned for the roll-out of the closing process and indicates the information to be entered, the adjustments to be made and the applicable time schedule.

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 Head of Accounting and Consolidation.

The financial statements are prepared according to IFRS under the responsibility of the Chief Financial Officer, and are then submitted to the Chairman and Chief Executive Officer. At period-end, the half-year and annual Consolidated Financial Statements 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 half-year financial statements) by the Statutory Auditors prior to their publication. The Board of Directors then approves the financial statements.

V.3. Procedures to control off-balance sheet commitments

The group's main off-balance sheet commitments consist of earnest deposits for building lots, Performance Bonds and financial covenants.

V.3.1. Earnest deposits for building lots

Whenever the group intends to buy land in order to develop a property program, the group must provide the owner with an earnest deposit until the notarized deed has been signed. This indemnity takes the form, either of a guarantee granted 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 Treasury and Financing Department, which asks insurance companies and financial institutions twice a year to provide it with a list of the relevant guarantees issued.

V.3.2. 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 R. 261-21 § 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 Treasury 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 Commission de Contrôle des Assurances.

V.3.3. Financial covenants

As part of the restructuring of its Senior Facility Agreement of April 4, 2016 and its bond issue on May 18, 2017, the group has to meet financial ratios ("financial covenants"). As such, every six months, the group's Finance Department provides the Statutory Auditors with the financial highlights necessary to calculate these covenants and then sends the covenants to the lenders' representatives. The financial ratios are also calculated and presented quarterly to the Audit Committee and the Board of Directors as part of the group's risk management system.

V.4. 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 Department:

- Registration Document, quarterly information, half-year and annual financial statements and operational reports;
- financial press releases;
- presentations for financial analysts and investors;
- presentations for rating agencies.

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.

VI. Updating and reviewing the performance of 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 Executive Management and by the various operational and functional departments that take all appropriate steps to promote the interests of the Kaufman & Broad group when necessary.

The correct application of the procedures related to accounting and financial information is audited by the Internal Audit Department and occasionally by an independent auditing firm supervised by the Kaufman & Broad Internal Audit Department. This work is performed at the headquarters 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.

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, March 7, 2018

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

Fiscal year ended November 30, 2017

To the Shareholders,

Opinion

In compliance with the assignment entrusted to us by your Shareholders' Meeting, we have audited the consolidated financial statements of Kaufman & Broad SA for the financial year ended November 30, 2017, as attached to this report.

In our opinion, the Consolidated Financial Statements for the fiscal year present fairly the assets and liabilities, the financial position of the persons and entities that constitute the consolidated group and the results of its operations in accordance with IFRS as adopted by the European Union.

The opinion expressed above is consistent with the content of our report to the Audit Committee.

Basis of our audit opinion

Audit standards

We conducted our audit in accordance with generally accepted professional standards in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our responsibilities under these standards are indicated in the section "Statutory Auditor's Responsibilities in Audits of Financial Statements" of this report.

Independence

We performed our audit in accordance with applicable independence rules, over the period from December 1, 2016 to the issue date of our report, and we rendered no services prohibited Article 5, paragraph 1 of EU Regulation 537/2014 or by the statutory auditors' code of professional ethics.

Justification of our assessments – Key audit points

Pursuant to the provisions of Articles L. 823-9 and R. 823-7 of the French Commercial Code relating to the justification of our assessments, we bring to your attention the key points of the audit relating to the risks of material misstatement which, in our professional judgment, were the most important for the audit of the consolidated financial statements for the year, as well as the responses we provided to these risks.

The assessments made in this way are part of our process of auditing the financial statements as a whole and in the formation of our opinion as expressed above. We offer no opinion on aspects of these annual financial statements in isolation.

Assessment of the gross margin of the real estate development business and real estate inventories (Notes 3.2 and 3.4 of the Notes to the consolidated financial statements)

Identified risk

As of November 30, 2017, real estate inventories are recorded on the balance sheet in the amount of €384.9 million and the gross margin amounts to €269.1 million.

The accounting methods relating to the recognition of revenue, gross margin and management's significant estimates in connection with these items are presented in Note 3.2 to the consolidated financial statements.

The group's real estate development activity is carried out essentially through sales before completion contracts (VEFA), whereby the group transfers ownership of future parcels as they are created. Sales and gross margins of the property development business are recognized in the income statement using the percentage of completion method. To apply the percentage of completion method, the percentage of completion is calculated in proportion to technical completion, the starting point of which is the acquisition of the land and progress of the sales process (signature of the deeds of sale) for each building program.

This method requires management's estimates, particularly for the valuation of margins at termination to include cost price and selling price, as well as an assessment of the technical completion progress rate for each transaction.

As indicated in Note 3.4 to the consolidated financial statements, inventories of "new projects" and "programs under development" (including delivered programs) are valued at cost.

We considered the valuation of the gross margin of the property development business and real estate inventory as a key point of the audit due to their significance in group accounts and the judgment required to determine the estimates used in determining the value of recognized real estate inventories and the gross margin of the real estate business.

Our response

Our approach consisted of assessing the data and assumptions used by management to assess the results of real estate transactions (gross margin), as well as the valuation of real estate inventories.

We have taken note of the internal control procedures put in place to establish and monitor real estate program budgets.

- Regarding building programs under development and building programs sold and delivered:

We examined assumptions relating to sales prices, land costs, construction costs and service fees from a sampling of programs. This sample was established by combining a random sample with the selection of certain programs, taking into account the most significant of these in terms of gross margin, those whose budgets feature low or negative margins, some old operations showing little advancement in terms of sales and high inventory levels, as well as situations illustrating significant incongruities between technical completion and sales promotion.

Regarding the most significant programs in terms of gross margin and based on a sampling of randomly selected programs, the rates of completion of the selected transactions were confirmed by the prime contractors in charge of real estate operations. For these programs, we streamlined the sales progress rates by comparing the number of sales contracts signed to the amount of sales budgeted and we conducted retail sales tests by reconciling them with land deeds.

We assessed, on a sampling of completed and sold programs, the level of consistency of margin rates actually achieved compared to those initially budgeted.

- With regard to programs not yet launched commercially and delivered programs with units still for sale:

Assessing programs not yet commercially launched and programs delivered with units still for sale was given particular attention. Regarding programs not yet launched commercially, we conducted a critical analysis of the prospects of profits as presented by management. For programs delivered with unsold units, we compared the estimated selling prices of the units in inventory with actual selling prices of units recorded in property registers and we conducted a critical analysis of the flow perspectives.

Verification of the management report and other documents sent to the shareholders

We also performed the specific audits required by law, in accordance with the auditing standards applicable in France.

We have no comment concerning the fair presentation and the consistency with the annual financial statements of the information given in the Board of Directors' management report and in the other documents sent to shareholders on the financial positions and the annual financial statements.

With regard to the information provided pursuant to Article L. 225-102-1 of the French Commercial Code on compensation and benefits paid to corporate officers as well as on commitments made in their favor, we verified their consistency with the financial statements or with the data used to prepare these accounts and, where applicable, with the information collected by your company from companies controlling or controlled by your company. Based on this work, we attest to the accuracy and fair presentation of this information.

Information arising from other legal and regulatory requirements

Appointment of the Statutory Auditors

The General Meeting of July 30, 1999 appointed Deloitte & Associates as statutory auditors for Kaufman & Broad S.A., while Ernst & Young Audit was appointed on July 3, 1991.

As of November 30, 2017, Deloitte & Associates was in its nineteenth uninterrupted year as Statutory Auditor, and Ernst & Young Audit was in its twenty-seventh year (including eighteen years since the company's securities have been listed for trading on a regulated market).

Responsibilities of management and corporate governance individuals for the consolidated financial statements

It is the Management Company's responsibility to prepare annual financial statements that present a true and fair picture in accordance with IFRS accounting principles and to put in place internal control procedures that it considers necessary for the preparation of financial

statements that are free from material misstatements and omissions whether through fraud or error.

In preparing financial statements, it is the management company's responsibility to assess the company's ability to continue operations, to present in its financial statements the necessary information for business continuity and to apply the accounting principle of going concern, unless the intention is to liquidate the company or cease its operations.

The Audit Committee is responsible for monitoring the financial reporting process and for the effectiveness of internal control and risk management systems and, where applicable, internal audits, with respect to procedures relating to the preparation and processing of accounting and financial information.

The consolidated financial statements were established by the Board of Directors.

Statutory Auditor's responsibility with regard to the audit of the annual financial statements

Audit purpose and approach

It is our responsibility to prepare a report on the consolidated financial statements. Our objective is to obtain reasonable assurance that the annual financial statements on the whole contain no material misstatements, errors or omissions. Reasonable assurance means a high degree of assurance, without, however, guaranteeing that an audit performed in accordance with professional standards would always detect material misstatements. Misstatements may arise from fraud or errors and are considered material when they can reasonably be expected, separately or cumulatively, to influence readers of the financial statements when making decisions based on them.

As stated in Article L. 823-10-1 of the French Code of Commerce, our assignment to certify these financial statements does not consist of guaranteeing the viability or quality of management of your company.

In performing an audit in accordance with French professional accounting principles, the Statutory Auditor exercises professional judgment throughout the audit. And additionally:

- identifies and assesses the risk that the annual financial statements contain material misstatements, whether due to fraud or error, defines and implements audit procedures to handle such risks, and gathers the elements he considers adequate and appropriate on which to base his opinion. The risk of not detecting a material misstatement due to fraud is higher than that of a material misstatement due to error, as fraud can involve collusion, falsification, deliberate omission, false statements, or evasion of internal control;
- investigates internal control procedures as they relate to the audit in order to define appropriate audit procedures in the circumstances, and with the aim of expressing an opinion on the effectiveness of internal control;

- assesses the appropriateness of the accounting methods used and the reasonableness of accounting estimations by management, as well as the information about them provided in the financial statements;
- assesses the appropriateness of the management company's application of the accounting principle of going concern and, based on the information gathered, the existence or not of significant uncertainty connected with events or circumstances that may call into question the company's ability to continue operations. This assessment is based on the information collected as of the date of this report, on the understanding that subsequent circumstances or events may call business continuity into question. If auditors conclude that significant uncertainty exists, they draw the attention of the readers of their report to the information provided in the annual financial statements relating to that uncertainty or, if that information is not provided or is not relevant, they issue a certification with reserves or they refuse to certify;
- assesses the presentation of the financial statements as a whole and whether they present a true and fair picture of underlying events.
- concerning the financial information of the persons or entities included in the scope of consolidation, auditors collect information that they deem sufficient and appropriate to express an opinion on the consolidated financial statements. Auditors are responsible for the management, supervision and execution of the audit of the consolidated financial statements as well as for the opinion expressed on these accounts.

Report to the Audit Committee

We submit a report to the Audit Committee outlining the scope of the audit work and the work program implemented, as well as the conclusions stemming from our work. We also disclose, where appropriate, the significant internal control weaknesses that we have identified with respect to the procedures relating to preparing and processing accounting and financial information.

Among the elements disclosed in the report to the Audit Committee are the risks of material misstatement that we consider to have been the most important with regard to the audit of the consolidated financial statements for the year and which therefore constitute the key points of the audit that is our responsibility to describe in this report.

We also provide the audit committee with the statement stipulated in Article 6 of Regulation (EU) No 537-2014 confirming our independence in the meaning of the rules applicable in France as laid down by Articles L. 822-10 to L. 822-14 of the French Commercial Code and in the code of ethics of the profession of statutory auditor. Where appropriate, we discuss with the audit committee the risks to our independence and the safeguards applied.

Neuilly-sur-Seine and Paris-La Défense, March 27, 2018

The Statutory Auditors

DELOITTE & ASSOCIÉS
Bénédicte Sabadie

ERNST & YOUNG Audit
Bruno Bizet

9.3.2. Reports of the Statutory Auditors on the Annual Financial Statements

Fiscal year ended November 30, 2017

To the Shareholders,

Opinion

In performing the assignment entrusted to us by the management company, we audited the annual financial statements of Kaufman & Broad S.A. for the year ended November 30, 2017, which are attached to this report

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.

The opinion expressed above is consistent with the content of our report to the Audit Committee.

Basis of our opinion

Audit standard

We conducted our audit in accordance with generally accepted professional standards in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our responsibilities under these standards are indicated in the section “Statutory Auditor’s Responsibilities in Audits of Financial Statements” of this report.

Independence

We performed our audit in accordance with applicable independence rules, over the period from December 1, 2016 to the issue date of our report, and we rendered no services prohibited Article 5, paragraph 1 of EU Regulation 537/2014 or by the statutory auditors’ code of professional ethics.

Justification of our assessments – Key audit points

Pursuant to the provisions of Articles L. 823-9 and R. 823-7 of the French Commercial Code relating to the justification of our assessments, we bring to your attention the key points of the audit relating to the risks of material misstatement which, in our professional judgment, were the most important for the audit of the consolidated financial statements for the year, as well as the responses we provided to these risks.

The assessments made in this way are part of our process of auditing the financial statements as a whole and in the formation of our opinion as expressed above.

We offer no opinion on aspects of these annual financial statements in isolation.

Assessment of investments in subsidiaries and affiliates

Identified risk

At November 30, 2017, the equity value of investments in subsidiaries and affiliates amounted to €320,638,000, or 50% of total assets. They are recognized at their acquisition date at their acquisition cost.

A provision for depreciation is established when the inventory value of investments in subsidiaries and affiliates is lower than the acquisition value.

As indicated in Note 4.2.1.2. of the notes to the annual financial statements, net asset value is determined in relation to the value of investments in subsidiaries and affiliates on the basis of the share of net worth held in each company and taking into account the differences between acquisitions recognized in the consolidated financial statements and the earnings outlook of the subsidiaries concerned.

The assessment of the value of investments in subsidiaries and affiliates taking into account income forecasts of the real estate programs developed by subsidiaries requires management to make assumptions and estimates.

The valuation of investments in subsidiaries and affiliates is considered a key point of our audit because of the importance of the amounts in the annual financial statements, combined with the estimated character of data associated with determining them.

Our response

We examined the method of determining the value of subsidiaries and took cognizance of the internal control procedures associated with them.

In a representative sampling of these entities, we reconciled the equity retained by management in its assessments to that in the accounts of the subsidiaries concerned, which were audited or analyzed.

Regarding the earnings outlook and goodwill taken reviewed, our procedures mainly consisted in:

- analyzing the consistency of the data and budgetary assumptions used by management to assess the results of real estate operations with known historical data and development prospects, and in relation to the economic and financial background of which the subsidiaries of your company form a part;
- analyzing, with the help of our valuation specialists, assumptions to include the business plan and discount rate, used by management to evaluate the intangible assets attributable to subsidiaries.

We also assessed the appropriateness of the information provided in the notes to the annual financial statements concerning these items.

Assessment of the share of income and losses of subsidiaries

Identified risk

At November 30, 2017, the net amount of profit and loss of subsidiaries recognized by your company for the year came to €82,470,000 and is presented under "Income and losses" in the income statement. This net amount includes a share of losses amounting to €1.5 million.

As indicated in Note 4.2.1.6 of the Notes to the annual financial statements, most of the group's subsidiaries have opted for the preferred percentage-of-completion method for the recognition of revenues and of the margin on real estate programs in their annual financial statements. Recognition of revenues and margin is now carried out pro rata to technical completion, for which the starting point is the purchase of the land and the progress of sales (signed deeds of sale) of each program. The bylaws of these companies, organized in the form of SCIs (real estate partnerships) and SNCs (commercial partnerships), provide for the automatic transfer of profits to their partners, in the same fiscal year.

We considered that the assessment of share of profit and loss of the subsidiaries was a key point of the audit due to its major significance in the annual financial statements and the judgment necessary to formulate estimates used in determining the value of the gross margin of the real estate business of the subsidiaries.

Our response

We noted the internal control procedures put in place to evaluate the share of profit and loss of the subsidiaries.

For a representative sample of subsidiaries organized in the form of SCIs (real estate partnerships) and SNCs (commercial partnerships), our work consisted mainly of reviewing:

- whether the bylaws of these companies do indeed include a clause automatic transfer of profits to their partners at the close of the financial year;
- whether the results reported by management are consistent with those in the accounts of the relevant subsidiaries that were audited or that we analyzed;
- whether the percent stake used in the calculation is that indicated in the respective bylaws of the entities concerned.

We also assessed the appropriateness of the information provided in the notes to the annual financial statements concerning these items.

Review of the management report and other documents addressed to shareholders

We also performed the specific audits required by law, in accordance with the auditing standards applicable in France. We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given in the management report of the Board of Directors and in the other documents addressed to the shareholders with respect to the financial position and the financial statements.

With regard to the information provided pursuant to the provisions of Article L. 225-102-1 of the French Commercial Code on compensation and benefits paid to corporate officers and the commitments made to them, we have verified their consistency with the financial statements and with the data used to draw up these accounts and, where applicable, with the information collected by your company from companies controlling or controlled by your company. Based on this work, we attest to the accuracy and fair presentation of this information.

Other information

In accordance with the law, we have ensured that the various information relating to the acquisition of equity interests and control and the identity of the persons with capital or voting rights have been communicated to you in the management report.

Information arising from other legal and regulatory requirements

Appointment of the Statutory Auditors

The General Meeting of July 30, 1999 appointed Deloitte & Associates as statutory auditors for Kaufman & Broad S.A, while Ernst & Young Audit was appointed on July 3, 1991.

As of November 30, 2017, Deloitte & Associates was in its nineteenth uninterrupted year as Statutory Auditor, and Ernst & Young Audit was in its twenty-seventh year (including eighteen years since the company's securities have been listed for trading on a regulated market).

Responsibilities of management and corporate governance individuals for the consolidated financial statements

It is the Management Company's responsibility to prepare annual financial statements that present a true and fair picture in accordance with French accounting principles and to put in place internal control procedures that it considers necessary for the preparation of financial statements that are free from material misstatements and omissions whether through fraud or error.

In preparing financial statements, it is the management company's responsibility to assess the company's ability to continue operations, to present in its financial statements the necessary information for business continuity and to apply the accounting principle of going concern, unless the intention is to liquidate the company or cease its operations.

The Audit Committee is responsible for monitoring the financial reporting process and for the effectiveness of internal control and risk management systems and, where applicable, internal audits, with respect to procedures relating to the preparation and processing of accounting and financial information.

The annual financial statements have been approved by the Board of Directors.

Statutory Auditor's responsibility with regard to the audit of the annual financial statements

Audit purpose and approach

It is our responsibility to prepare a report on the financial statements. Our objective is to obtain reasonable assurance that the annual financial statements on the whole contain no material misstatements, errors or omissions. Reasonable assurance means a high degree of assurance, without, however, guaranteeing that an audit performed in accordance with professional standards would always detect material misstatements. Misstatements may arise from fraud or errors and are considered material when they can reasonably be expected, separately or cumulatively, to influence readers of the financial statements when making decisions based on them.

As stated in Article L. 823-10-1 of the French Code of Commerce, our assignment to certify these financial statements does not consist of guaranteeing the viability or quality of management of your company.

In performing an audit in accordance with French professional accounting principles the Statutory Auditor exercises professional judgment throughout the audit. And additionally:

- identifies and assesses the risk that the annual financial statements contain material misstatements, whether due to fraud or error, defines and implements audit procedures to handle such risks, and gathers the elements he considers adequate and appropriate on which to base his opinion. The risk of not detecting a material misstatement due to fraud is higher than that of a material misstatement due to error, as fraud can involve collusion, falsification, deliberate omission, false statements, or evasion of internal control;
- investigates internal control procedures as they relate to the audit in order to define appropriate audit procedures in the circumstances, and with the aim of expressing an opinion on the effectiveness of internal control;
- assesses the appropriateness of the accounting methods used and the reasonableness of accounting estimations by management, as well as the information about them provided in the financial statements;
- assesses the appropriateness of the management company's application of the accounting principle of going concern and, based on the information gathered, the existence or not of significant uncertainty connected with events or circumstances that may call into question the company's ability to continue operations. This assessment is based on the information collected as of the date of this report, on the understanding that subsequent circumstances or events may call business continuity into question. If auditors conclude that significant uncertainty exists, they draw the attention of the readers of their report to the information provided in the annual financial statements relating to that uncertainty or, if that information is not provided or is not relevant, they issue a certification with reserves or they refuse to certify.
- assesses the presentation of the financial statements as a whole and whether they present a true and fair picture of underlying events.

Report to the Audit Committee

We submit a report to the Audit Committee outlining the scope of the audit work and the work program implemented, as well as the conclusions stemming from our work. We also disclose, where appropriate, the significant internal control weaknesses that we have identified with respect to the procedures relating to preparing and processing accounting and financial information.

Among the elements disclosed in the report to the Audit Committee are the risks of material misstatement that we consider to have been the most important with regard to the audit of the consolidated financial statements for the year and which therefore constitute the key points of the audit that is our responsibility to describe in this report.

We also provide the audit committee with the statement stipulated in Article 6 of Regulation (EU) No. 537-2014 confirming our independence in the meaning of the rules applicable in France as laid down by Articles L. 822-10 to L. 822-14 of the French Commercial Code and in the code of ethics of the profession of statutory auditor.

Where appropriate, we discuss with the audit committee the risks to our independence and the safeguards applied.

Neuilly-sur-Seine and Paris-La Défense, on March 27, 2018

The Statutory Auditors

DELOITTE & ASSOCIÉS
Bénédicte Sabadie

ERNST & YOUNG Audit
Bruno Bizet

9.3.3 Statutory Auditors on Related-Party Agreements and Regulated Commitments

Shareholders' Meeting for approval of the Financial Statements for the fiscal year ended November 30, 2017

To the Shareholders,

In our capacity as Statutory Auditors of your Company, we hereby report to you on the regulated agreements and commitments.

The terms of our engagement require us to communicate to you, based on information provided to us, the principal terms, conditions, interests for your Company of those agreements and commitments brought to our attention or which we may have discovered in the course of our audit, without expressing an opinion on their usefulness and appropriateness or identifying such other agreements and commitments, if any. It is your responsibility, according to the terms of Article R. 225-31 of the French Commercial Code, to assess the interest in concluding these agreements and commitments for the purpose of approving them.

Our role also entails providing you with the information stipulated in Article R. 225-31 of the French Commercial Code relating to the implementation, during the past fiscal year, of agreements and commitments previously approved by the Shareholders' Meeting, if any.

We planned and performed the work we deemed necessary in accordance with the professional guidelines of the French National Institute of Statutory Auditors (Compagnie Nationale des Commissaires aux Comptes) relating to this engagement. Our work involved verifying the information provided to us against the relevant primary documents.

Agreements and commitments subject to the approval of the Shareholders' Meeting

Agreement and commitments authorized during the fiscal year ended

We inform you that we have not been given notice of any agreement or commitment authorized and concluded during the past financial year to be submitted to the General Meeting for approval in accordance with the provisions of Article L. 225-38 of the French Commercial Code.

Agreements and undertakings previously approved by the Shareholders' Meeting

Agreements and commitments authorized during previous fiscal years

a) the implementation of which continued during the previous financial year

Pursuant to Article R. 225-30 of the French Commercial Code, we have been informed that the execution of the following agreements and commitments, already approved by the Shareholders' Meeting in previous financial years, has continued during of the past financial year.

Defined-contribution pension granted to the Chairman and Chief Executive Officer

Nordine Hachemi is entitled to the Company supplemental executive pension plan and a supplemental defined-contribution pension plan under the same terms as the members of the Management Committee. The maximum amount of annual contributions is capped at 8% of gross salary within the limit of eight times the maximum Social Security ceiling.

The contribution paid by your company for the corporate officer amounted to €25,073.28 in 2017.

b) not performed during the fiscal year ended

In addition, we have been informed that the following agreements and commitments, previously approved by the Shareholders' Meeting during the fiscal year ended and not performed during the fiscal year ended, have remained in force.

Severance pay for dismissal from office of the Chairman and Chief Executive Officer

In the event of dismissal from office for any reason other than gross misconduct, as defined in labor law by the Court of Cassation, your Company undertakes to indemnify the Chief Executive Officer for the loss suffered in relation to the dismissal from office.

The severance pay will be equal to 12 months gross fixed and variable compensation for the fiscal year ended, extended to 18 months if control over the Company is taken by one or more third parties acting in concert triggering the obligation to launch a public offering of the Company shares.

Regardless of the date and circumstances of the dismissal from office, such severance pay will be payable only if the Chief Executive Officer has received or should have received in the two fiscal years preceding the termination of his term in office at least 70% of the maximum variable portion (excluding outperformance) of his compensation on average for each of these two fiscal years, the variable portion being based on both quantitative and qualitative targets (determined for the first time upon his appointment and subsequently at the start of each fiscal year).

Non-compete compensation of the Chief Executive Officer

In the event of Nordine Hachemi's departure, the latter shall 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 a gross lump-sum monthly compensation equivalent to 50% of the average monthly fixed gross compensation he received during the twelve months preceding the termination of his term in office; the Company however will have the option to reduce this term or release the executive from this commitment.

Neuilly-sur-Seine and Paris-La Défense, on March 27, 2018

The Statutory Auditors

DELOITTE & ASSOCIÉS

Bénédicte Sabadie

ERNST & YOUNG Audit

Bruno Bizet

9.3.4. Report of the Statutory Auditors on the report of the Chairman of the Board of Directors

Report of the Statutory Auditors, prepared pursuant to Article L. 225-235 of the French Commercial Code on the Report of the Chairman of the Board of Directors of Kaufman & Broad SA

To the Shareholders,

In our capacity as Statutory Auditors of the Company Kaufman & Broad SA and pursuant to the provisions of Article L. 225-235 of the French Commercial Code, we present our report on the report prepared by the Chairman of your Company in accordance with Article L. 225-37 of the French Commercial Code for the fiscal year ended November 30, 2017.

The Chairman's responsibility is to prepare and submit for the Board of Directors' approval a report on internal control and risk management procedures implemented by the Company and to provide the other information required by Article L. 225-37 of the French Commercial Code relating to matters such as corporate governance.

Our role is to:

- report our findings based on the information contained in the Chairman of the Board of Directors' report in respect of the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information;
- attest that the report includes the other information required by Article No L. 22537 of the French Commercial Code, with the understanding that our role is not to verify the fairness of such other information.

We conducted our work in accordance with professional standards applicable in France.

Information on internal control and risk management procedures relating to the preparation and processing of accounting and financial information

The professional standards require that we plan and perform our work to assess the fairness of the information provided in the Chairman of the Board of Directors' report in respect of the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information. Our work involved mainly:

- obtaining an understanding of the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information on which the information presented in the Chairman of the Board of Directors' report is based and of the existing documentation;
- obtaining an understanding of the work involved in the preparation of this information and of the existing documentation;
- determining if any material weaknesses in the internal control procedures relating to the preparation and processing of the accounting and financial information that we would have noted in the course of our work are properly disclosed in the Chairman of the Board of Directors' report.

On the basis of our work, we have no matters to report on the information relating to the Company's internal control and risk management procedures relating to the preparation and processing of the accounting and financial information contained in the report prepared by the Chairman of the Board of Directors in accordance with Article No L. 225-37 of the French Commercial Code.

Other information

We attest that the report prepared by the Chairman of the Board of Directors contains the other information required by Article L. 22537 of the French Commercial Code.

Neuilly-sur-Seine and Paris-La Défense, on March 27, 2018

The Statutory Auditors

DELOITTE & ASSOCIÉS
Bénédicte Sabadie

ERNST & YOUNG Audit
Bruno Bizet

9.4. Report by the independent third party on the consolidated human resources, environmental and social information included in the management report

Fiscal year ended November 30, 2017

To the Shareholders,

In our capacity as the independent third party of Kaufman & Broad S.A., certified by COFRAC under number 3-1049⁽¹⁾, we hereby report to you on the consolidated social, environmental and societal information for the fiscal year ended November 30, 2017, included in the management report (hereinafter the “CSR Information”), pursuant to Article No L.225-102-1 of the French Commercial Code.

Responsibility of the company

The Board of Directors is responsible for preparing a management report including the CSR Information required by Article No R.225-105-1 of the French Commercial Code, prepared in accordance with the guidelines used by the Company (hereinafter the “Guidelines”), which are summarized in the management report and available on request from the Company’s registered office.

Independence and quality control

Our independence is defined by regulatory texts, the Code of Ethics of our profession and the requirements of Article No L.822-11-3 of the French Commercial Code. In addition, we have implemented a system of quality control including documented policies and procedures regarding compliance with the ethical requirements and applicable legal and regulatory requirements.

Responsibility of the independent third party

On the basis of our work, our responsibility is to:

- attest that the required CSR Information is included in the management report or, in the event of non-disclosure of a part or all of the CSR Information, that an explanation is provided in accordance with the third paragraph of Article No R.225-105 of the French Commercial Code (Attestation regarding the completeness of CSR Information);
- express limited assurance that the CSR Information taken as a whole is, in all material respects, presented fairly in accordance with the Guidelines (Conclusion on the fairness of CSR Information).

However, it is not our responsibility to express an opinion on compliance with the other legal provisions that may be applicable, in particular those stipulated by Article No L.225-102-4 of the French Commercial Code (supervisory plan) and by Law No 2016-1691 of December 9, 2016, known as Sapin II (anti-corruption).

Our work involved four persons and was conducted during a total period of two weeks between December 2017 and March 2018. We called upon our CSR experts to assist us with carrying out our work.

We performed the work described below in accordance with the order of May 13, 2013 defining the conditions under which the independent third party performs its engagement, and with the auditing guidelines of the French National Institute of Statutory Auditors (Compagnie Nationale des Commissaires aux Comptes) relating to this engagement, and with ISAE 3000 concerning our conclusion on the fairness of the CSR Information.

1. Attestation regarding the completeness of CSR Information

Nature and scope of our work

On the basis of interviews with the individuals in charge of the relevant departments, we obtained an understanding of the Company’s sustainable development strategy in relation to the social and environmental impacts of its activities and its societal commitments and, where applicable, any actions or programs arising from them.

We compared the CSR Information presented in the management report with the list provided in Article No R.225-105-1 of the French Commercial Code.

For any consolidated information that is not disclosed, we verified that explanations were provided in accordance with Article No R.225-105, paragraph 3 of the French Commercial Code.

We verified that the CSR Information covers the scope of consolidation, i.e., the Company, its subsidiaries as defined by Article No L.233-1 and the controlled entities as defined by Article No L.233-3 of the French Commercial Code within the limitations set out in the methodological note, presented in the management report.

⁽¹⁾ The certification scope is available on the website at www.cofrac.fr.

⁽²⁾ ISAE 3000 – Assurance engagements other than audits or reviews of historical financial information.

Conclusion

Based on the work performed and given the limitations mentioned above, we attest that the required CSR Information has been disclosed in the management report.

2. Conclusion on the fairness of CSR Information

Nature and scope of our work

We conducted five interviews with the persons responsible for preparing the CSR Information in the departments in charge of collecting the information and, where appropriate, responsible for internal control and risk management procedures, in order to:

- assess the suitability of the Guidelines in terms of their relevance, completeness, reliability, neutrality and understandability, and taking into account industry best practices where appropriate;
- verify the implementation of data-collection, compilation, processing and control process to reach completeness and consistency of the CSR Information and obtain an understanding of the internal control and risk management procedures used to prepare the CSR Information.

We determined the nature and scope of our tests and procedures based on the nature and importance of the CSR Information with respect to the characteristics of the Company, the human resources and environmental challenges of its activities, its sustainable development strategy and industry best practices.

The CSR Information that we considered to be the most important is as follows ⁽¹⁾:

- at consolidation level, we referred to documentary sources and conducted interviews to corroborate the qualitative information (organization, policies, actions), performed analytical procedures on the quantitative information and verified, using sampling techniques, the calculations and the consolidation of the data. We also verified that the information was consistent and in agreement with the other information in the management report;
- at the Company's registered office, we conducted interviews to verify that procedures are properly applied and to identify any failings, and performed detailed tests, using sampling techniques, in order to verify the calculations and reconcile the data with the supporting documents. Our work related to 100% of the employees regarded as characteristic for the social component, 100% of the environmental data regarded as characteristic for the environmental component, and 100% of the societal data regarded as characteristic of the societal component.

For the remaining consolidated CSR Information, we assessed its consistency based on our understanding of the Company.

We also assessed the relevance of explanations provided for any information that was not disclosed, either in whole or in part.

We believe that the sampling methods and sample sizes we have used, based on our professional judgment, are sufficient to provide a basis for our limited assurance conclusion; a higher level of assurance would have required us to carry out more extensive procedures. Due to the use of sampling techniques and other limitations inherent to information and internal control systems, the risk of not detecting a material misstatement in the CSR information cannot be totally eliminated.

Conclusion

Based on the work performed, we found no material misstatement that causes us to believe that the CSR Information, taken as a whole, is not presented fairly in accordance with the Guidelines.

Paris-La Défense, March 8, 2018

KPMG S.A.

Anne Garans
Partner
Sustainability Services

François Plat
Partner

(1) *Quantitative social information:* The total number of employees at December 31, the number of hires on open-ended and fixed-term contracts, the number of terminations, the absenteeism rate, the total number of training hours, and the proportion of women in management.

Quantitative environmental information: Agency water consumption, agency electricity consumption, CO2 emissions related to business travel, water consumption on construction sites, and electricity consumption on construction sites.

Quantitative societal information: Breakdown of the number of housing units ordered by type of purchaser, social housing as a percentage of production, and the first and first ten suppliers as a percentage of the group's total suppliers.

Qualitative information: Organization of working hours, anti-discrimination policy, NF Habitat certification procedure, measures to prevent, reduce or repair emissions into the air, water and soil that seriously affect the environment, taking into account of noise and other forms of pollution specific to a business activity, conditions for dialogue with stakeholders, and actions taken to prevent corruption.

(2) Please see the list of quantitative environmental and societal information provided in a footnote on page 3 herein.

9.5 Report on the principles and criteria for determining, distributing and allocating fixed, variable and exceptional items making up the total compensation and benefits of any kind to executive corporate officers

This report on Kaufman & Broad S.A.'s (the "Company") compensation policy for executive corporate officers describes the principles and criteria for determining, distributing and allocating fixed, variable and exceptional components of total compensation and the benefits of any kind attributable to executive corporate officers arising from their mandate.

In accordance with the provisions of Article L. 225-37-2 of the French Commercial Code, the principles and criteria presented in this report will be submitted to the Shareholders' Meeting of May 3, 2018 for approval.

I. Principles and criteria for determining and distributing compensation to executive corporate officers

The Company has implemented a group compensation policy that compensates all employees with (i) a base salary, as compensation for the employee's work, and which is aimed at attracting and retaining talent, and (ii) a variable portion, which compensates individual and collective performance according to the attainment of ambitious, fixed objectives, which is nonetheless limited to a maximum level to avoid excessive risk taking. This variable part is based on annual or even biennial criteria, which avoids limiting performance assessment to a strictly short-term review. In addition, this variable portion is supplemented by a universal award of bonus shares, which links all Group employees to value creation over the medium and long term. The Chairman and Chief Executive Officer, as well as the members of the Executive Committee and the regional and branch directors are also awarded bonus shares, in addition to their variable compensation, the final vesting of which is subject to performance conditions, in accordance with the principles of good governance.

Against this backdrop, at the time of the Company's free float increase (re-IPO) in May 2016, the senior executives (including the Chairman and Chief Executive Officer) and some of the Group's employees tendered their shares from the 2014 and 2016 bonus share plans to Artimus Participations, a management investment structure within the Company, set up during this transaction.

Through this company comprising 129 executives and employees of the Company, the Employee Savings Plan and individuals, on November 30, 2017 the group's employees held about 14% of the capital of the company, becoming its leading shareholders. This configuration guarantees an alignment of long-term interest with the shareholders and the management of the company, with the Chairman and CEO owning, directly or indirectly, approximately 2.7% of the capital of Kaufman & Broad SA.

Recognition of a lasting, sustainable and collective performance fits with the philosophy governing the compensation policy of the executive corporate officer that is presented in this report.

The compensation policy of the executive director, Mr. Nordine Hachemi, in his capacity as Chairman and Chief Executive Officer of the Company as of the date of this report, was approved by the Board of Directors after review and issue of an opinion by the Compensation and Nominating Committee. The Board of Directors applies the recommendations of the AFEP/MEDEF Code, amended in November 2016, relating to the remuneration of executive directors of listed companies. In this context, the Board of Directors sets the principles for determining the compensation of the Chairman and Chief Executive Officer, with particular attention to compliance with the following principles:

- Principle of balance and moderation: it is ensured that each element of the compensation of the Chairman and Chief Executive Officer is clearly justified and that none is disproportionate.
- Principle of competitiveness: it is ensured that the compensation of the Chairman and Chief Executive Officer is competitive in comparison with compensation surveys for the sector.
- Principle of alignment of interests: the compensation policy is a management tool intended to attract, motivate and retain talent necessary to the company. At the same time it addresses the expectations of shareholders and other stakeholders of the company, in particular in relation to performance.
- Performance principle: the compensation of the Chairman and Chief Executive Officer is closely linked to the performance of the company, in particular through variable compensation assessed each year. Payment of this variable portion is subject to achieving objectives rewarding immediate performance that lays the groundwork for the future and ensures the sustainability of the Group, and whose impact can be measured over a period (i) of one year (changes in income, EBITDA, Attributable Net Income, WCR) and (ii) of two years (number of orders and number of lots approved by the Commitment Committee).

The compensation of the Chairman and Chief Executive Officer includes a fixed and a variable portion based on a number of objectives determined on an annual basis. At the end of each financial year, the Board of Directors, acting on the recommendation of the Compensation and Nominating Committee, sets the amount of its gross annual fixed compensation for the following year as well as the ceiling of its annual variable compensation for that year, and quantitative criteria on the basis of which this will be calculated. At the beginning of each financial year, the Board of Directors, acting on the proposal of the Compensation and Nominating Committee, determines the amount of its annual variable compensation due for the previous financial year based on that year's results and the achievement of its quantitative and qualitative objectives, and sets objectives for the qualitative part of its annual variable compensation for the current financial year.

ADDITIONAL INFORMATION

Report on the principles and criteria for determining, distributing and allocating fixed, variable and exceptional items making up the total compensation and benefits of any kind to executive corporate officers

In order to link the Chairman and Chief Executive Officer with long-term performance, part of his compensation consists of performance shares. This component of compensation is directly related to the Group's performance since the number of shares definitively granted to the Chairman and Chief Executive Officer at the end of the vesting period depends on the Group's performance, according to certain criteria (see paragraph II.2.(b) and II.3. below).

The Board of Directors meeting of 29 January 2018, acting on the proposal of the Compensation and Nominating Committee meeting the same day, after reviewing the results of the Company and the qualitative results of the Chairman and Chief Executive Officer during the year ended November 30, 2017, set the quantitative portion of the variable compensation due to the Chairman and Chief Executive Officer for the year ended November 30, 2017 at €557,928, i.e. 114% of the target, and the qualitative portion of this remuneration to 120% of the target, i.e. 252,000 euros (a total of €810,000).

Concerning the quantitative part, representing 70% of variable remuneration, the Board of Directors noted that rights to variable compensation are awarded according to the grid below:

Objective	Weighting	Achievement of objectives (as a % of targets) during the year ended November 30, 2017	Bonus award (as a % of targets)
EBITDA	15%	106.15%	115%
Revenues	5%	98.47%	98.4%
Attributable Net Income	20%	110.5%	120%
WCR	10%	118.33%	120%
Number of housing unit orders	10%	102.81%	102.81%
Number of lots approved by the Commitment Committee	10%	105.07%	115%

As over 100% of the quantitative objectives part was achieved, the Chairman and Chief Executive Officer earned a bonus of 114% of the amount of the quantitative part of the target, i.e. €557,928.

Concerning the qualitative part, representing 30% of variable compensation, the following qualitative objectives were reviewed by the Compensation and Nominating Committee, which determined that they were achieved, thus entitling the Chairman and Chief Executive Officer to a bonus of 120%, i.e. €252,000: this component involved management of the Group's teams, control of operating expenses, return on capital employed and adaptation of the Board of Directors to changes in the Group's expected shareholding.

In addition, the Board of Directors, acting on the proposal of the Compensation and Nominating Committee, confirmed the achievement of the performance conditions applicable to the 20,000 performance shares allotted to the Chairman and Chief Executive Officer by the Board of Directors at its meeting of May 11, 2017, namely:

- (i) achieving at least 95% of the targeted Attributable Net Income figure in the 2017 Plan
- (ii) the achievement of the qualitative and quantitative criteria, as described above with respect to the variable cash compensation paid out in the year ended November 30, 2017.

For the year ended November 30, 2018, after reviewing the findings of a November 2017 report prepared by Willis Towers Watson at the request of the Company, including a detailed analysis of the practices observed by a sampling of SBF 120 companies and the CAC 40 in terms of compensation of their corporate leaders, the Compensation and Nominating Committee proposed to the Board of Directors on March 7, 2018 to maintain this philosophy but to adapt the compensation policy to emphasize even more strongly the link between the compensation of the Chairman and Chief Executive Officer and the interests of shareholders. To this end, a proposal was made to establish a long-term plan (see paragraph II.3 below).

II. Elements making up the compensation of the Chairman and Chief Executive Officer

The compensation of the Chairman and Chief Executive Officer is made up of fixed and a variable compensation components, to which would be added a long-term compensation component starting from 2018.

1. Fixed compensation

The Board of Directors, acting on the proposal of the Compensation and Nominating Committee, determines the fixed annual compensation of the Chairman and Chief Executive Officer in view of a detailed study of the fixed and variable compensation of senior executives of comparable companies by an independent firm contracted by the Company.

The gross annual fixed portion of the Chairman and Chief Executive Officer's compensation was set by the Board of Directors on March 7, 2018 at €600,000 for 2018, unchanged from 2017.

2. Variable pay

The variable compensation of the executive corporate officer includes (i) a target and maximum annual variable portion, paid in cash, and (ii) an annual deferred payment part in the form of awards of bonus shares with performance conditions attached.

a) Targeted annual variable part and maximum variable part in cash

The Board of Directors, acting on the proposal of the Compensation and Nominating Committee, determines the variable annual compensation of the Chairman and Chief Executive Officer on the basis of quantitative and qualitative criteria. At its meeting of March 7, 2018, the Board of Directors set the maximum annual variable portion of the Chairman and Chief Executive Officer's compensation for 2018 at €700,000 gross (unchanged from 2017, i.e. 117% of his fixed annual compensation), provided the objectives are 100% achieved and, in the event of outperformance, up to 120% of the sum referred to above, i.e. a maximum amount of €840,000 gross (140% of his fixed annual compensation), subject to his continued presence on the date of payment in January 2019.

A total of 70% of the variable part of this compensation will be calculated from quantitative elements and 30% from qualitative elements, each of which has an assigned weighting.

In accordance with the provisions of Article L. 225-37-2 of the French Commercial Code, the payment of variable compensation is subject to the approval of the compensation components of the Chairman and Chief Executive Officer by an ordinary general meeting under the conditions set out in Article L. 225-100 of the French Commercial Code.

- Quantitative criteria:

They are based on indicators that the Board of Directors, on the proposal of the Compensation and Nominating Committee, deemed the most relevant for assessing the financial performance of the Group. For 2018, the quantitative criteria represent 70% of variable compensation, of which 10% is linked to revenues, 15% to EBITDA, 15% to Attributable Net Income, 10% to WCR, 10% to annual housing orders and 10% to the Number of lots approved by the Commitment Committee for 2018 (the latter two indicators reflect the Group's medium-term business outlook).

- Qualitative criteria:

Regarding the non-financial criteria, which represent 30% of variable remuneration for 2018, these are based on the following qualitative objectives: management of the Group's teams and the quality of the social climate within the company; return on capital employed; control of operating expenses (including payroll); adaptation of the company to technological developments; and good risk management.

b) Deferred payment of the annual variable share in the form of performance shares

The 19th resolution of the combined shareholders' meeting of May 11, 2017, authorized the Board of Directors to grant, on one or more occasions, awards of bonus shares to the members of company staff or executive officers up to a total of 250,000 shares, including 50,000 shares to the Chairman and Chief Executive Officer.

After accounting for awards that have lapsed, 162,679 shares are still available for allocation under the 19th resolution mentioned above.

The Board of Directors meeting of March 7, 2018 made use of the authorization conferred by this resolution, awarding 15,000 performance shares to the Chairman and Chief Executive Officer for 2018, provided that he is still in office when they are fully vested in 2020. These fully vested shares must then be held for a period of 2 years.

On the basis of valuation work carried out by Riskedge at the request of the Company and using the Company's share price on 1 December 2017, the benefit corresponding to the 15,000 performance shares whose allocation to the Chairman and Chief Executive Officer is being considered in respect of his annual variable compensation with deferred payment is estimated at approximately €494,000.

Final award of these shares to the Chairman and Chief Executive Officer would be subject to the same performance conditions as those provided for in the annual variable compensation in cash set out in paragraph 2.2(a) above.

In the event that these performance conditions are met, the Chairman and Chief Executive Officer would be entitled to an award of performance shares in respect of the deferred annual variable compensation, at the same ratio and in the same proportions as for the annual variable remuneration in cash. In the event of 100% achievement of the performance conditions, the maximum number of attributable performance shares, i.e. 15,000 shares, would be awarded to the Chairman and Chief Executive Officer. No additional performance shares would be awarded in the event of outperformance above 100%.

The number of performance shares granted in respect of the deferred annual variable portion for 2018 represents a decrease of 25% (5,000 shares) compared to the number of bonus shares awarded in 2017 (20,000 shares).

This decrease may be partially offset in the long term, as a result of the introduction in 2018 of long-term compensation to the Chairman and Chief Executive Officer in the form of performance shares. The Board of Directors believes that it is preferable for a portion of the performance shares to be part of a long-term plan to recognize the long-term performance of the Chairman and Chief Executive Officer.

ADDITIONAL INFORMATION

Report on the principles and criteria for determining, distributing and allocating fixed, variable and exceptional items making up the total compensation and benefits of any kind to executive corporate officers

3. Long term compensation

In 2018, the Board of Directors proposes offering long-term compensation to the Chairman and Chief Executive Officer based on the award of 10,000 bonus performance shares under the 19th resolution of the General Meeting referred to in paragraph II.2. (B) above and subject to the adoption thereof, providing for a vesting period of 3 years and a holding period of one year, and comprising (i) 5,000 shares previously allocated to the variable annual deferred payment part but not yet awarded as such in 2018 (see paragraph 2 (b) above), supplemented by (ii) 5,000 additional shares, in order to give weight to this new element and to recognize the increase in variability, duration and risk inherent to the new system of compensation of the Chairman and Chief Executive Officer.

On the basis of valuation work carried out by Riskedge at the request of the Company, based on the Company's share price on 1 December 2017, the benefit corresponding to the 10,000 performance shares whose allocation is envisaged to the Chairman and Chief Executive Officer in respect of his annual variable compensation with deferred payment, is estimated at approximately €218,000.

Vesting of these shares is subject to the following conditions:

- the shares will only be fully vested after a period of 3 years from their award and must then be held for a period of one year by the Chairman and Chief Executive Officer;
- long-term performance conditions evaluated over the period 2018-2020 (3 financial years), including CSR performance, customer satisfaction, the level of employee share ownership in the Company's share capital and the TSR (Total shareholder return or rate of profit to shareholders). The relative weight of these four conditions is broken down to 15% for CSR performance, 17.5% for customer satisfaction, 17.5% for employee share ownership and 50% for TSR.
 - The condition related to CSR performance is as follows:
 - to be rated among the top 70 companies in the GAIA ⁽¹⁾ index comprising 230 companies for 3 years,
 - Obtain a minimum 50 rating from VIGEO ⁽²⁾ beginning in 2019,
 - obtain a B rating on the CDP ⁽³⁾ index in 2020.

Each of the criteria will represent 5% of the total number of performance shares to be awarded.

- The condition related to customer satisfaction is as follows:

Obtaining the following scores (out of 10) for the Composite Customer Satisfaction Index based on the annual BVA survey conducted by the Company:

 - 7.2 in 2018,
 - 7.3 in 2019,
 - 7.4 in 2020.

For comparison purposes, among 54 services companies, including companies from the insurance, automotive and banking sectors, the average is 7.4. These sectors have many years of experience in terms of customer satisfaction monitoring and comparability on this subject is difficult. Furthermore, the real estate sector is very specific. Customer evaluations are particularly severe in this sector and scores of 8 are rarely achieved, even with satisfied customers. Thus, attaining a score of 7.4 by the end of 2020 appears as an ambitious goal.

The goal is to reach an average of 7.3 out of 10 over 3 years. A score below 7 would not meet the goal, a score of 7 would achieve 50% of the goal and a score of 7 to 7.3 would result in linear interpolation between 50% and 100% (as an example, a score of 7.15 would achieve 75% of the goal).

- The condition related to the level of employee share ownership would be as follows:

Maintain an employee share ownership level of at least 12% of the Company's capital (excluding specific financial transactions) through Artimus Participations, the PEE employee savings plan and on an individual basis.
- The TSR condition would be reached in stages, at the following levels and thresholds:
 - 0 if the performance of the TSR of the Company is strictly less than or less than 100% of the performance of the SBF 120 TSR after 3 years,
 - from 75% to 100%, by linear interpolation, if the performance of the TSR of the Company is between 100% and 110% of the performance of the SBF 120 TSR after 3 years,
 - 100% if the performance of the TSR of the Company is greater than 110% of the performance of the SBF 120 TSR after 3 years.

(1) The GAIA index analyzes the data of a panel of companies each year and evaluates their commitment to sustainable development.

(2) Vigeo is an agency analyzing companies on environmental, social and governance criteria.

(3) The CDP (Carbon Disclosure Project) is an international non-profit organization that studies the impact of the world's leading publicly traded companies on climate change.

Report on the principles and criteria for determining, distributing and allocating fixed, variable and exceptional items making up the total compensation and benefits of any kind to executive corporate officers

The table below summarizes the calculation and weighting procedures applied to the various long-term performance criteria:

Criteria	Scale	Objectives	Calculation rules	% of performance shares awarded
CSR	15%	• Maintain a rating among the top 70 companies in the GAIA index comprising 230 companies for 3 years	5%	100% otherwise 0
		• Obtain a minimum 50 rating from VIGEO beginning in 2019	5%	100% otherwise 0
		• Obtain a B in the CDP (<i>Carbon Disclosure Project</i>) index by 2020	5%	100% otherwise 0
Customer satisfaction	17.5%	Annual average index (out of 10) (BVA survey):		
		• 2018: 7.2	Rating < 7	0
		• 2019: 7.3	Rating = 7	50%
		• 2020: 7.4		
		7.3 on an average over 3 years	Between 7 and 7.3	To 100% by linear interpolation,
Employee shareholding	17.5%	Maintain employee shareholding at a level of at least 12%		100% otherwise 0
TSR	75%	TSR performance of the company evaluated compared to TSE performance of the SBF 120	TSR of the Company is strictly less than or less than 100%	0
			TSR between 100% and 110%	From 75% to 100%, by linear interpolation
			TSR over 110%	100%

The maximum total compensation of the Chairman and Chief Executive Officer, including his fixed compensation of €600,000, his variable compensation in cash of a maximum of €840,000, his variable compensation with deferred payment valued at approximately €494,000, and his long-term compensation estimated at approximately €218,000, amounts to approximately €2,152,000, of which 28% represents fixed compensation, 62% variable compensation and 10% of long-term compensation, and of which 67% paid in cash and 33% paid in the form of performance shares, in line with market practices. In addition, the total number of performance shares granted in 2018, in respect of the deferred variable portion and the long-term compensation of the Chairman and Chief Executive Officer, representing 25,000 shares, represents approximately 0.10% of the share capital of the Company, also in line with market practices. As such, this allocation will have no dilutive effect, being realized by means of existing shares, which are owned by the Company.

4. Benefits in kind

In kind benefits consist of a company car and are valued at €1,600 monthly for the year ended November 30, 2017.

5. Pension plan

The Chairman and Chief Executive Officer is entitled to the Company supplemental defined-contribution pension plan under the same terms as the members of the Management Committee as stipulated by article 83 of the General Tax Code; the amount of the contribution paid by the company on behalf of the Chairman and Chief Executive Officer was €25,073.28 for the 2017 calendar year. This corresponds to the annual contributions capped at 8% of gross salary, up to a maximum of eight times the Social Security ceiling. The amount was set at €25,401.60 for the year ended November 30, 2017.

6. Severance and non-compete benefits

Severance pay will be equal to 12 months gross fixed and variable compensation for the fiscal year ended, extended to 18 months if control over the Company is taken by one or more third parties acting in concert triggering the obligation to launch a public offering of the Company shares. Regardless of the date and circumstances of the dismissal from office, such severance pay will be payable only if the Chief Executive Officer has received or should have received in the two fiscal years preceding the termination of his term in office at least 70% of the maximum variable portion (excluding outperformance) of his compensation on average for each of these two fiscal years, the variable portion being based on both quantitative and qualitative targets.

The non-compete clause applicable to the Chairman and Chief Executive Officer extends over a period of twelve months and covers all French territory. In consideration for this, he shall receive flat-rate monthly gross compensation equal to 50% of the average monthly gross fixed remuneration that he will have received during the twelve months preceding the termination of his term of office (or the duration of the latter if it is lower). The Company however will have the option of reducing this term or releasing the Chairman and Chief Executive Officer from this commitment.

ADDITIONAL INFORMATION

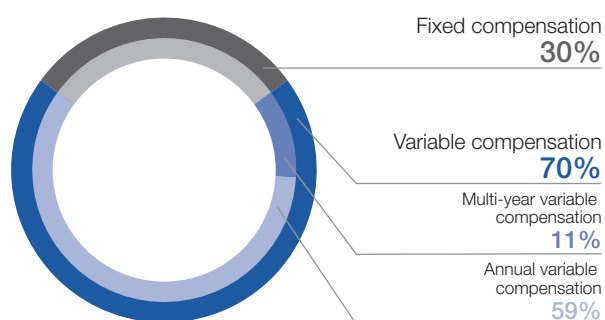
Report on the principles and criteria for determining, distributing and allocating fixed, variable and exceptional items making up the total compensation and benefits of any kind to executive corporate officers

III. Summary table of principles and criteria for determining, distributing and allocating fixed, variable and exceptional components of total compensation and benefits of any kind attributable to the Chairman and Chief Executive Officer

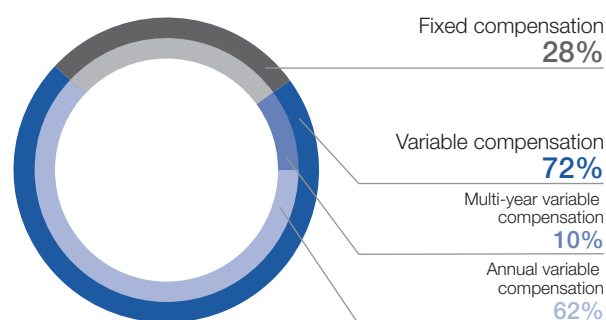
Components of compensation	Principle	Determination criteria
Fixed compensation	The Chairman and Chief Executive Officer receives fixed compensation paid out in twelve monthly installments.	The gross annual amount is fixed at €600,000 for the 2018 financial year.
Variable compensation	The Chairman and Chief Executive Officer receives variable compensation determined in light of the Group's performance. This compensation is paid during the financial year following that for which performance was recorded. In accordance with the provisions of Article L. 225-37-2 of the French Commercial Code, the payment of variable compensation is subject to the approval of the compensation components of the Chairman and Chief Executive Officer by an ordinary general meeting under the conditions set out in Article L. 225-100 of the French Commercial Code.	The annual variable portion of the Chairman and Chief Executive Officer's remuneration is €700,000 gross if objectives are 100% achieved and, in the event of outperformance up to the achievement of 120% of these objectives, a maximum amount of €840,000 gross, of which 5% is related to revenues, 15% to EBITDA, 15% to Attributable Net Income, 15% to WCR, 10% to annual housing orders, 10% to the number of lots approved by the Commitment Committee for 2018 and 30% linked to qualitative objectives, as presented above. In addition to this variable monetary part, a variable portion paid in the form of bonus share awards (15,000) is added, subject to the achievement of the performance criteria described above and a vesting period of 2 years.
Long-term compensation	The Board of Directors proposes to establish a long-term compensation program in 2018 for the Chairman and Chief Executive Officer based on an award of 10,000 bonus shares.	Final award of these shares is subject to the achievement of the objectives detailed in paragraph 3 above and a vesting period of 3 years.
Pension plan	The Chairman and Chief Executive Officer will also receive a supplementary defined contribution pension; the amount of the contribution paid by the company for the Chairman and Chief Executive Officer amounted to € 25,073.28 in 2017.	The scheme is that described in paragraph 5 above.
Severance and non-compete indemnity	The Chairman and Chief Executive Officer is entitled to a commitment by the company to pay a termination indemnity in the event of the Board's decision to terminate his duties and an indemnity intended as compensation for his non-compete commitment.	Severance pay and non-competition benefit schemes are described in paragraph 6 above.
Benefits in kind	Benefits in kind consist of a company car valued at €1,600 monthly for the year ended November 30, 2017.	Non applicable

IV. Presentation (in graphic form) of the distribution of fixed, variable and long-term variable compensation of the Chief Executive Officer

DISTRIBUTION IN CASE OF ACHIEVING 100% OF OBJECTIVES SET



DISTRIBUTION IN CASE OF REACHING MAXIMUM AMOUNTS





APPENDIX 10

10.1. Cross-Reference Table	286	10.6. Board of Directors' report on Bonus Share Awards	297
10.2. Cross-reference table for the Sustainable Development section	290	10.7. Special report on Stock Purchase and Subscription Options (Shareholders' Meeting of May 3, 2018)	297
10.3. Annual financial report	292	10.8. Board of Directors' report	298
10.4. List of publications since December 2016	292	10.9. Glossary	299
10.5. Summary table of currently valid authorizations concerning capital increases	295		

10.1. Cross-Reference Table

Topics (headings from Annex 1 to European Regulation No 809/2004)		Sections	Pages
1.	Persons responsible		
1.1.	Persons responsible for the information contained in the Registration Document	7.1.	234
1.2.	Statement of the persons responsible for the Registration Document	7.2.	234
2.	Statutory Auditors		
2.1.	Name and address of the issuer's Statutory Auditors	8.1./8.2.	238
2.2.	Statutory Auditors that have resigned, been removed or not been re-appointed during the period covered	N.A.	
3.	Selected financial information		
3.1.	Selected historical financial information	2.1.	92
3.2.	Selected financial information for interim periods and comparative data from the same period in the preceding financial year	N.A.	
4.	Risk factors	1.2./1.3.	44-59
5.	Information about the issuer		
5.1.	History and development of the issuer	1.1.1.	16
5.1.1.	Legal and trading name of the issuer	5.1.1./5.1.2./5.1.4.	212
5.1.2.	Place of registration of the issuer and its registration number	5.1.5./5.4.	213-227
5.1.3.	Date of incorporation and term of the issuer	5.1.3.	212
5.1.4.	Registered office and legal form of the issuer, legislation under which the issuer operates, country of incorporation, and address and telephone number	5.1.1./5.1.2./1.2.3.1./1.2.3.4.	212-53-54
5.1.5.	Important events in the development of the issuer's business	1.1.1.	16
5.2.	Investments	1.5.	63
5.2.1.	Principal investments of the issuer for each fiscal year for the period covered by the historical financial information	1.1.1.3./1.5.2.	17-64
5.2.2.	Principal current investments of the issuer	1.5.3.	65
5.2.3.	Information concerning the issuer's principal future investments in respect of which its management bodies have already made firm commitments	1.5.3.	65
6.	Business overview		
6.1.	Principal activities	1.1.2.	18
6.1.1.	Nature of the issuer's operations and its principal activities	1.1.2./1.1.3./5.1.4.	18-29-212
6.1.2.	New products and/or services that have been introduced	N.A.	
6.2.	Principal markets	1.1.2.1./1.1.2.3./1.1.2.5.	18-25-28
6.3.	Exceptional factors that have influenced the information given pursuant to items 6.1. and 6.2.	N.A.	
6.4.	Extent to which the issuer is dependent on patents or licenses, industrial, commercial or financial contracts or new manufacturing processes	1.2.4.2.	55
6.5.	Basis for any statements made by the issuer regarding its competitive position	1.1.2.4./1.2.4.1.	27-55
7.	Organizational structure		
7.1.	Description of the group and the issuer's position within the group	1.1./5.3.3.	14-125
7.2.	List of the issuer's significant subsidiaries	4.3./5.3.4.	208-226
8.	Property, plant and equipment		
8.1.	Existing or planned property, plant and equipment	1.5.2./4.1.4. Note 15	64-173
8.2.	Environmental questions that may affect the issuer's utilization of its property, plant and equipment	1.7.1.	66

Topics (headings from Annex 1 to European Regulation No 809/2004)	Sections	Pages
9. Operating and financial review		
9.1. Financial position: changes in financial condition and results of operations for each fiscal year and interim period, for which historical financial information is required	2.1./2.3./4.1.	92-107-154
9.2. Operating income	2.2./4.1.	106-154
9.2.1. Information regarding significant factors, including unusual or infrequent events or new developments, materially affecting the issuer's income from operations	2.1.	92
9.2.2. Changes in revenues and the reasons for such changes	2.3.1.	108
9.2.3. Information regarding any governmental, economic, fiscal, monetary or political policies or factors that have materially affected, or could materially affect, the issuer's business	1.1.2.1./1.2./1.1.2.2./4.1.6. Note 28	18-21-44-180
10. Capital resources		
10.1. Information concerning the issuer's capital resources (both short and long term)	2.4./4.1.5. Note 21	115-183
10.2. Sources and amounts of the issuer's cash flows	1.1.10./2.4./4.1.6. Note 26	43-51-116-157
10.3. Information on the borrowing requirements and funding structure of the issuer	1.2.2./2.4.2./4.1.5. Note 24	51-116-177
10.4. Information regarding any restrictions on the use of capital resources	1.2.3.2./4.1.5. Note 22	215
10.5. Information regarding anticipated sources of funds	1.1.10./1.2.1.5.1.	43-47
11. Research and development, patents and licenses		
Description of the issuer's research and development policies, including the amount spent on issuer-sponsored research and development activities	1.5.	63
12. Trend information		
12.1. Most significant recent trends in production, sales and inventory, and costs and selling prices, from the end of the latest fiscal year to the date of the Registration Document	1.1.2.1./1.1.2.2./1.1.2.3.	18-21-25
12.2. Known trends, uncertainty or demand or any commitment or event, which could reasonably materially impact the outlook of the issuers, at least for the current fiscal year	1.1.2.1./1.1.2.2./1.1.2.3.	18-21-25
13. Profit forecasts or estimates	6.3.	231
14. Administrative, management and supervisory bodies and executive management		
14.1. Information on the positions and other directorships held by the following persons, and the absence of criminal convictions:		
• members of the administrative, management or supervisory bodies	3.1.1.1.	122
• any Chief Executive Officer who is relevant to establishing that the issuer has the appropriate expertise and experience to manage the issuer's business	3.1.1.1./3.1.3.	122-137
14.2. Conflicts of interest of administrative, management and supervisory bodies and management:		
• any arrangement or understanding with major shareholders, customers, suppliers or others, pursuant to which any person referred to in item 14.1 was selected as a member of the administrative, management or supervisory bodies or member of executive management	3.1.1.1./3.1.4.2.	138
• details of any restrictions agreed to by the persons referred to in item 14.1 on the disposal within a certain period of time of their equity interests in the issuer's authorized capital		
15. Compensation and benefits awarded to persons referred to in item 14.1		
15.1. Amount of compensation paid and benefits-in-kind granted by the issuer, its subsidiaries or its controlling entity	3.2.1./3.2.2./3.2.3./5.3.3.1.	140-145-225
15.2. Total amounts set aside or accrued by the issuer or its subsidiaries to provide pension, retirement or other benefits	3.2.1.3./4.1.6. Note 30	144-172

Topics (headings from Annex 1 to European Regulation No 809/2004)	Sections	Pages
16. Board practices		
16.1. Date of expiration of the current terms of office of members of the issuer's administrative, management and supervisory bodies	3.1.1.1.	122
16.2. Information about members of the administrative, management or supervisory bodies' service contracts with the issuer or any of its subsidiaries	3.2.4./3.2.6.	145
16.3. Information about the issuer's Audit Committee and Compensation Committee	3.1.2.1./3.1.2.2./9.2. § II.	132-135-254
16.4. Statement as to whether or not the issuer complies with its country of incorporation's corporate governance rules	3.1.1.2.1./9.2. § I.1.	127-247
17. Employees		
17.1. Number of employees at the end of the period or the average for each fiscal year for the period covered by the historical financial information, and a breakdown of persons employed by category	1.7.3.	75
17.2. Shareholdings and <i>stock</i> options of each person referred to in item 14.1; information as to their share ownership and any existing stock options	3.3.3.	147
17.3. Description of any employee shareholding agreement	3.3.1./3.3.2.	146-147
18. Major shareholders		
18.1. Name of any person other than a member of the administrative, management or supervisory bodies who, directly or indirectly, has an interest in the issuer's authorized capital or voting rights, which must be notified under the issuer's national law	5.3.1.	221
18.2. Different voting rights	5.1.10./5.3.1.	214-221
18.3. Control over the issuer and measures in place to ensure that such control is not abused	1.2.3.3./5.3.3.	54-225
18.4. Any arrangements which may result in a change of control of the issuer	1.2.3.1./5.3.3.2. 3.2.4./3.2.6./ 4.1.6. Note 30/ 5.3.4.1./9.3.3.	59-225 145-226-274
19. Related party transactions		
20. Financial information concerning the issuer's assets and liabilities, financial position, and profits and losses		
20.1. Historical financial information	4.1.	154
20.2. Pro forma financial information	N.A.	
20.3. Financial statements	4.1./4.2.	154-194
20.4. Audit of historical annual financial information		
20.4.1. Declaration that the historical financial information has been audited	7.2./9.3.	234-267
20.4.2. Other information in the Registration Document which has been verified by the Statutory Auditors	N.A.	
20.4.3. Where financial data in the Registration Document is not extracted from the issuer's audited financial statements, statement of the source of the data and that the data is unaudited	N.A.	
20.5. Age of latest financial information	4.1./4.2./10.3.	154-194-292
20.6. Interim and other financial information	N.A.	
20.7. Dividend policy	5.5.1.	228
20.7.1. Dividend per share	5.1.8./5.5.1.	213-228
20.8. Legal and arbitration proceedings	1.4./4.1.5 Note 23.4/ 4.1.5 Note 23.5/ 4.1.5 Note 23.6	63-185
20.9. Significant changes in the issuer's financial or trading position	6.1.	230

Topics (headings from Annex 1 to European Regulation No 809/2004)		Sections	Pages
21.	Additional information		
21.1.	Authorized capital		
21.1.1.	Amount of capital subscribed:	5.2.4.	219
	• number of shares issued	5.2.5.	219
	• par value per share	5.2.4./5.2.8.	219-220
	• reconciliation of the number of shares outstanding at the beginning and end of the fiscal year	5.2.8./5.3.1.	220-221
21.1.2.	Shares not representing capital	5.2.6.	219
21.1.3.	Number, book value and par value of shares held by the issuer	5.2.3./5.3.1.	215-221
21.1.4.	Convertible securities, exchangeable securities or securities with warrants	N.A.	
21.1.5.	Information about the terms of any acquisition rights and/or obligations attached to capital subscribed, but not paid-up, or any undertaking to increase the capital	5.2.2./5.3.3.	215-225
21.1.6.	Information about any capital of any member of the group, which is under option or agreed to be placed under option	3.3.4.	152
21.1.7.	History of the issuer's authorized capital for the period covered by the historical financial information	5.3.1./5.3.2.	221-224
21.2.	Memorandum of association and bylaws	5.1.3.	212
21.2.1.	Corporate purpose of the issuer	5.1.4.	212
21.2.2.	Summary of the provisions of the issuer's bylaws, charter or rules with respect to the members of the administrative, management and supervisory bodies	3.1.1.2./3.1.2./3.1.3./ 9.2. § I.3.	127-132-137- 247
21.2.3.	Rights, preferences and restrictions attaching to each class of shares	5.2.2.	215
21.2.4.	Number of shares necessary to change the rights of shareholders	5.1.10.	214
21.2.5.	Conditions governing the manner in which Annual and Extraordinary Shareholders' Meetings are called, including conditions of admission	5.1.9.	213
21.2.6.	Provisions of the issuer's bylaws, charter or rules that would have the effect of delaying, deferring or preventing a change in control of the issuer	5.1.11./5.3.3.2.	214-225
21.2.7.	Provisions of the bylaws, charter or rules governing the ownership threshold above which shareholder ownership must be disclosed	5.1.11.	214
21.2.8.	Conditions imposed by the bylaws, charter or rules governing changes in the capital, where such conditions are more stringent than is required by Law	5.2.1.	215
22.	Material contracts	1.1.12.1./1.2.1.5.1.	44-47
23.	Third party information, statements by experts and declarations of interest	N.A.	
24.	Documents available to the public	5.1.6.	213
25.	Information on equity interests		
	Information on businesses in which the issuer holds a proportion of the capital, which could have a significant effect on the assessment of its own assets and liabilities, financial position or profits and losses	4.3./5.3.4.	208-226

10.2. Cross-reference table for the Sustainable Development section

Indicators from Decrees 2012-557 of April 24, 2012 and 2016-1138 of August 19, 2016 and Decree No. 2016-1138 of August 19, 2016 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 issues and, where appropriate, approaches to environmental assessment or certification	1.7.1./1.7.2.1./1.7.2.2./1.7.2.3/1.7.2.4
	Employee training and information in matters of environmental protection	1.7.2.1./1.7.2.3.
	Resources devoted to the prevention of environmental risks and pollution	1.7.2.1./1.7.2.2/1.7.2.3.
	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)	1.7.2.2.
b)	Pollution	
	Measures to prevent, reduce or remedy emissions into the air, water and soil that seriously affect the environment	1.7.2.3./1.7.2.2/1.7.2.4.
	Consideration of noise and other forms of pollution specific to an activity	1.7.2.2.
c)	Circular Economy	
i)	Pollution and waste management	
	Prevention, recycling and other forms of waste recovery and disposal measures	1.7.2.2/1.7.2.4/1.7.2.6
	Anti-food-waste measures	1.7.2.6.
ii)	Sustainable use of resources	
	Water supply and consumption according to local restrictions	1.7.2.2/1.7.2.4
	Consumption of raw materials and measures to improve efficiency of their use	1.7.2.1/1.7.2.4/1.7.2.6
	Energy consumption, measures to improve energy efficiency and use of renewable energy	1.7.2.3
	Land use	1.7.2.1.
d)	Climate change	
	Significant greenhouse gas emissions generated by the Company's activities, particularly by the use of the goods and services that it produces	1.7.2.3/1.7.2.4/1.7.2.5
	Adapting to the impact of climate change	1.7.2.3
e)	Protection of biodiversity	
	Measures to preserve or enhance biodiversity	1.7.2.1.
2°	Social information	
a)	Employment	
	Total number and distribution of employees, by gender, age and geographical area	1.7.3.2.
	New hires and terminations	1.7.3.3.
	Compensation and changes	1.7.3.4.
b)	Work organization	
	Organization of working time	1.7.3.5
	Absenteeism	1.7.3.5.3.
c)	Labor relations	
	Organization of social dialog, including employee information, consultation and negotiation procedures	1.7.3.6.
	Assessment of collective bargaining agreements and impacts on economic performance as well as on employee working conditions	1.7.3.6.2

Indicators from Decrees 2012-557 of April 24, 2012 and 2016-1138 of August 19, 2016 and Decree No. 2016-1138 of August 19, 2016 on companies' transparency obligations regarding social and environmental matters, amending Article R. 225-105 of the French Commercial Code

	Registration Document Section
d) Health and safety	
Health and safety conditions at work	1.7.3.7.
Review of agreements with trade unions or employee representatives regarding workplace health and safety	1.7.3.6.2.
Workplace accidents, including frequency and severity, and occupational disorders	1.7.3.7
e) Training	
Training policies implemented	1.7.3.8
Total hours of training	1.7.3.8.
f) Equal treatment	
Measures taken to promote equality between women and men	1.7.3.9
Measures taken to promote employment and inclusion of people with disabilities	1.7.3.9.2
Policy against discrimination	1.7.3.10
g) Promotion and enforcement of provisions of the fundamental conventions of the International Labor Organization relating to:	
• compliance with the freedom of association and right to collective bargaining	1.7.3.10
• the elimination of discrimination in respect of employment and occupation	1.7.3.10
• the elimination of forced or compulsory labor	1.7.3.10
• the effective abolition of child labor	1.7.3.10
3° Information relating to societal commitments to support Sustainable Development	
a) Regional, economic and social impact of the Company's business	
• In employment and regional development	1.7.4.3.1
• On regional or local populations	1.7.4.3.3
b) Relationships with persons or organizations interested in the Company's business, such as inclusion associations, educational institutions, environmental protection associations, consumer associations and local residents	
Conditions for dialogue with these persons or organizations	1.7.4.3.3
Partnerships or sponsorships	1.7.4.3.2.
c) Subcontractors and suppliers	
Account taken of social and environmental problems in the procurement policy	1.7.4.4.2/1.7.4.4.3
Importance of outsourcing and consideration in relationships with suppliers and subcontractors for their social and environmental responsibility	1.7.4.4.2./1.7.4.4.3
d) Fair practices	
Action taken to prevent corruption	1.7.4.4.1.
Measures taken to promote consumer health and safety	1.7.4.1.
e) Other action taken under societal commitments to Sustainable Development, to promote human rights	1.7.3.10/1.7.4.1

10.3. Annual financial report

In application of Article No. 222-3 and Article No. 212-13, paragraphs VI and VIII, of the AMF's General Regulations, the documents constituting the annual financial report for fiscal year 2017 are incorporated by reference in this Registration Document in the Sections referred to in the table below:

Annual financial report	Sections	Page
Annual Financial Statements	4.2.	194
Consolidated Financial Statements	4.1.	154
Management report (report of the Board of Directors)	10.8.	298
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.	91/44
Capital structure and factors likely to have an impact in the event of a public offer	5.2./5.3.	215/221
Information about the implementation of the share buyback program during the fiscal year	5.2.3.	215
Statement by the persons responsible for the document	7.2.	234
Statutory Auditors' reports:		
• report of the Statutory Auditors on the consolidated financial statements	9.3.1.	267
• report of the Statutory Auditors on the annual financial statements	9.3.2.	270
• special report of the Statutory Auditors on related-party agreements and commitments	9.3.3.	274
• report of the Statutory Auditors prepared in accordance with Article L. 225-235 of the French Commercial Code on the report prepared by the Chairman of the Kaufman & Broad SA Board of Directors on internal control procedures for the preparation and processing of accounting and financial information	9.3.4.	276
Report by the independent third party on the consolidated human resources, environmental and social information included in the management report	9.4.	277
Fees paid by the group to the Statutory Auditors and members of their networks	4.5. Note 10	190
Report of the Chairman of the Board of Directors on Corporate Governance and internal controls	9.2.	247

10.4. List of publications since December 2016

Annual information document prepared in accordance with Article No. 222-7 of the Regulations of the Autorité des Marchés Financiers.

Type	Date	Subject	Medium
Press release	1/24/2017	Kaufman & Broad inaugurates "Innove'A" in Montreuil	Internet
Press release	1/30/2017	2016 annual results	Internet
Press release	2/6/2017	Kaufman & Broad lays the cornerstone of its new project "Le Panoramik" in Rennes	Internet
Press release	3/1/2017	Start of works on Kaufman & Broad's "Renaissance" program in the Visitation district of Le Mans	Internet
Press release	3/2/2017	Dividend of €1.85 per share proposed to the Shareholders' Meeting for the fiscal year ended November 30, 2016	Internet
Press release	3/6/2017	Kaufman & Broad lays the cornerstone of "Forum des Carmes" in Istres	Internet
Press release	3/14/2017	"Les Bassins à Flots," a student housing facility in Bordeaux wins the Architecture Prize in the ArchiDesignclub Awards 2017, Category Housing	Internet
Press release	3/23/2017	Kaufman & Broad lays the cornerstone of Domaine Victor Hugo in Pierrelaye (95)	Internet
Press release	3/24/2017	Kaufman & Broad inaugurates its new Blue Horizon project in Fréjus (83)	Internet
Press release	3/31/2017	Kaufman & Broad opened "Esprit Ville" in Franconville (95), with 94 apartments and a daycare facility	Internet

Type	Date	Subject	Medium
Press release	3/31/2017	Kaufman & Broad launches the ORA project in Paris's 17 th Arrondissement inside the new porte Pouchet ecodistrict	Internet
Press release	4/19/2017	Pyramides d'Argent Alps awards Kaufman & Broad the 2017 prize for its Geneva Balconies in Annemasse (74) under the "responsible operations management" category	Internet
Press release	4/21/2017	Kaufman & Broad takes first steps towards completing "Le Ronsard", comprising 112 apartments in the heart of Courcouronnes (91)	Internet
Press release	5/9/2017	Kaufman & Broad organizes a visit to its first bio-based work site in Saint-Pierre-du-Perray (91)	Internet
Press release	5/11/2017	Kaufman & Broad opens "Harmonia", 186 apartments on the outskirts of Vélizy-Villacoublay (78)	Internet
Press release	5/12/2017	Kaufman & Broad lays the cornerstone of "Renaissance" in downtown Mans	Internet
Press release	5/15/2017	Kaufman & Broad launches the "Cœur Gardanne 3" project in Gardanne (13), with 110 apartments and 20 houses	Internet
Press release	5/16/2017	Real estate development for the RIVÉO area, Kaufman & Broad's ambitious project marking the comeback of Bordeaux's Right Bank	Internet
Press release	5/29/2017	Kaufman & Broad launches the "La Coupole" project in Puteaux (92)	Internet
Press release	9/15/2017	A special seismic test was conducted in partnership with the FCBA – Kaufman & Broad tested the strength of its wooden SILVA tower	Internet
Press release	10/2/2017	Kaufman & Broad sets up a Consumer Information Department	Internet
Press release	10/12/2017	Kaufman & Broad strengthens the structure and governance of Concerto, its subsidiary specialized in logistics properties	Internet
Press release	10/12/2017	Kaufman & Broad supports entrepreneurial innovation by providing start-up ChouetteCopro's services in its next operations in Île-de-France	Internet
Press release	10/23/2017	Kaufman & Broad makes its debut in the Gaia Index	Internet
Presentation	1/31/2017	Presentation of the 2016 annual results	Internet
Presentation	4/25/2017	Presentation of first quarter 2017 results	Internet
Presentation	7/12/2017	Presentation of first half 2017 results	Internet
Presentation	10/2/2017	Presentation of results for the first 9 months of 2017	Internet
Presentation	1/31/2018	Presentation of the 2017 annual results	Internet
Presentation	7/28/2017	Half-year financial report	Internet
Legal disclosure	12/5/2016	Monthly information on the total number of shares and voting rights	Internet
Legal disclosure	1/4/2017	Half-year assessment of Kaufman & Broad's Liquidity agreement	Internet
Legal disclosure	1/9/2017	Kaufman & Broad SA shares admitted to the "long only" Deferred Settlement Service (SRD)	Internet
Legal disclosure	1/9/2017	Monthly information on the total number of shares and voting rights	Internet
Legal disclosure	1/17/2017	Kaufman & Broad receives the EnterNext prize for financial transaction of the year	Internet
Legal disclosure	2/7/2017	Monthly information on the total number of shares and voting rights	Internet
Legal disclosure	2/20/2017	Kaufman & Broad shares eligible for the PEA-PME share savings plan	Internet
Legal disclosure	3/2/2017	Dividend of €1.85 per share proposed to the Shareholders' Meeting for the fiscal year ended November 30, 2016	Internet
Legal disclosure	3/7/2017	Monthly information on the total number of shares and voting rights	Internet
Legal disclosure	4/4/2017	Monthly information on the total number of shares and voting rights	Internet
Legal disclosure	5/5/2017	Monthly information on the total number of shares and voting rights	Internet
Legal disclosure	5/11/2017	Dividend for fiscal year ended November 30, 2016 – Options to pay the dividend in shares	Internet
Legal disclosure	5/17/2017	Inaugural issue "EURO PP" of €150 million	Internet
Legal disclosure	5/31/2017	Results of the option to pay for the dividend in shares	Internet
Legal disclosure	6/1/2017	Kaufman & Broad joins the "MSCI Global Small Cap Index"	Internet
Legal disclosure	6/6/2017	Monthly information on the total number of shares and voting rights	Internet
Legal disclosure	7/4/2017	Half-year assessment of Kaufman & Broad's Liquidity agreement	Internet

Type	Date	Subject	Medium
Legal disclosure	7/4/2017	Monthly information on the total number of shares and voting rights	Internet
Legal disclosure	8/4/2017	Monthly information on the total number of shares and voting rights	Internet
Legal disclosure	9/6/2017	Monthly information on the total number of shares and voting rights	Internet
Legal disclosure	9/20/2017	“2017 KB shares” offer reserved for employees	Internet
Legal disclosure	10/4/2017	Monthly information on the total number of shares and voting rights	Internet
Legal disclosure	11/6/2017	Monthly information on the total number of shares and voting rights	Internet
Legal disclosure	11/30/2017	Net income from the “2017 KB shares” offer reserved for employees	Internet
Legal disclosure	12/1/2017	Additional Board of Directors’ report	Internet
Legal disclosure	12/1/2017	Additional Statutory Auditors’ report	Internet
Legal disclosure	12/1/2017	Recognition of the capital increase subscribed for as part of the leveraged offer to employees	Internet
Legal disclosure	12/1/2017	KAUFMAN & BROAD S.A. bylaws	Internet
Legal disclosure	12/5/2017	Monthly information on the total number of shares and voting rights	Internet
French legal notice journals	3/25/2016	Notice of Annual Shareholders’ Meeting	<i>Les Échos</i>
BALO	3/4/2016	Notice of Annual Shareholders’ Meeting	BALO

10.5. Summary table of currently valid authorizations 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 euros)	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 since the close of the fiscal year	Residual amount upon the preparation of this table
Authority to increase capital without preemptive subscription rights for shareholders, to set the issue price in accordance with the terms and conditions set by the Shareholders' Meeting up to a maximum of 10% of the authorized capital ⁽¹⁾	May 11, 2017	July 11, 2019	The issue price will be at least equal to (i) the weighted average price of the share the day prior to the date of setting the issue price, or (ii) to the weighted average of the prices for a maximum period of 6 months prior to the date of setting the price, possibly less a maximum discount of 10%	None	None	None	The issue price will be at least equal to (i) the weighted average price of the share the day prior to the date of setting the issue price, or (ii) to the weighted average of the prices for a maximum period of 6 months prior to the date of setting the price, possibly less a maximum discount of 10%
Authority to increase the capital in consideration of capital contributions in kind, by a maximum of 10% of the capital ⁽¹⁾	May 11, 2017	July 11, 2019	10% of share capital at May 11, 2017	None	None	None	10% of share capital at May 11, 2017
Authority to increase the capital in the event of a company-initiated public exchange offer ⁽¹⁾	May 11, 2017	July 11, 2019	€813,000	None	None	None	€813,000
Authority to increase capital by incorporating reserves or premiums	May 11, 2017	July 11, 2019	€813,000	None	None	None	€813,000
Authority to increase capital without preemptive rights in the event of a private placement	May 11, 2017	July 11, 2019	€542,000 (shares or securities) €500,000,000 (debt securities or debt equivalents representing claims against the Company)	None	None	None	€542,000 (shares or securities) €500,000,000 (debt securities or debt equivalents representing claims against the Company)
Authority to increase capital without preemptive rights as part of a public offer ⁽¹⁾	May 11, 2017	July 11, 2019	€813,000 (shares or securities) €500,000,000 (debt securities or debt equivalents representing claims against the Company)	None	None	None	€813,000 (shares or securities) €500,000,000 (debt securities or debt equivalents representing claims against the Company)

APPENDIX

Summary table of currently valid authorizations concerning capital increases

(In euros)	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 since the close of the fiscal year	Residual amount upon the preparation of this table
Authority to increase capital with preemptive rights ⁽¹⁾	May 11, 2017	July 11, 2019	€2,170,000 (shares or securities) €500,000,000 € (debt securities or debt equivalents representing claims against the Company)	None	None	None	€2,170,000 €500,000,000 € (debt securities or debt equivalents representing claims against the Company)
delegation of authority to issue shares of common stock and/or equity securities convertible into other equity securities without preemptive rights for members of the Group employee savings plan up to a maximum amount of 2% of share capital.	May 11, 2017	July 11, 2019	Limit of 2% of share capital	None	Capital increase of €61,488.96 corresponding to the issue of 236,496 new shares with a par value of €0.26 (issue premium of €7,295,901.60) subscribed by the KB Actions 2017 FCPE	None	
Authority to award bonus shares (new or existing)	April 15, 2016	June 15, 2019	400,000 shares including 100,000 shares to corporate officers	None	None ⁽²⁾	None	766
Authority to award existing bonus shares	May 11, 2017	July 11, 2020	250,000 shares including 50,000 shares to corporate officers	None	None ⁽²⁾	None	162,397

(1) The amount of the authority is deducted from the delegation of authority's maximum amount of €2,700,000, increased by the nominal amount of capital increases to be made in order to preserve, where appropriate, the rights of the holders of these securities, and for adjustments for increases through the issue of shares convertible into other equity securities or into securities representing claims against the Company to be issued, and €500,000,000 for stock or debt equivalents representing claims against the Company as stipulated by the Combined Shareholders' Meeting of May 11, 2017.

(2) 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 2016 Registration Document and have been formatted for the purposes of this Registration Document. Unformatted reports may be consulted at Kaufman & Broad's head office.

10.6. Board of Directors' report on Bonus Share Awards

See Section 5.2.3.3. "Summary of bonus share awards".

10.7. Special report on Stock Purchase and Subscription Options (Shareholders' Meeting of May 3, 2018)

See Section 5.2.3.4. Special report on the stock purchase and subscription options presented to the Shareholders' Meeting of May 3, 2018.

10.8. Board of Directors' report

1. Business and Financial Review of Kaufman & Broad SA

See Section 5.1. "General information concerning the Company".

2. Business and financial review of the Kaufman & Broad group

See Section 2. "Business and financial review of the Kaufman & Broad group".

3. Risk-related information

See Section 1.2. "Risk Factors" and 1.3 "Insurance and risk management".

4. Other information

4.1. Shareholding structure of the Company and treasury stock

See Section 5.3. "Current share ownership and voting rights".

4.2. Stock option or stock warrant plans - bonus share awards

See Section 3.3. "Incentive programs" and following.

4.3. Board of Directors

See Section 3.1.1. "Board of Directors".

4.4. Directors' interest

See Section 3.2. "Directors' Interest."

4.5. Sustainable Development

See Section 1.7. "Sustainable development" and following:

- 1.7.2. "Environmental information";
- 1.7.3. "Social information";
- 1.7.4. "Societal information".

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. "Summary table of the securities transactions by corporate officers and related parties during the last fiscal year".

Subsidiaries and equity affiliates

See Notes to the annual financial statements, Section 4.3. "Subsidiaries and equity affiliates".

Summary table of currently valid authorizations concerning capital increases

See Section 10.5. "Summary table of currently valid authorizations concerning capital increases".

Five-year financial summary

See Section 4.4 "Five-year financial summary".

Scope of consolidation

See Section 4.1.2. "General information," Note 2. "Scope of consolidation".

10.9. Glossary

Business lines

ANRU area	Area covered by the signing of a multi-year agreement with the French National Agency for Urban Renewal (ANRU). In this geographical area with tax benefits, households, in particular tax households with limited resources, can purchase a new principal residence with a reduced VAT rate (5.5%) subject to certain conditions.
Backlog (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 point in time that can be used to estimate the revenue remaining to be recognized in coming months and to confirm group forecasts – on the understanding that translating the backlog into revenues involves uncertainties, especially for orders that have not yet been officially notarized.
BBC-Effinergie®	Low Energy Consumption Building (Bâtiment Basse Consommation). BBC-Effinergie® is a thermal performance label for buildings intended for residential use. For new residential buildings, 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 carbon assessment tool for calculating greenhouse gas emissions whose objective is to allow, from readily available data, an assessment of direct and indirect emissions from business, economic or other activity.
Commercial offer	The total inventory of properties available for sale as of the date in question, i.e., all unordered housing units as of this date (less the programs that have not entered the marketing phase).
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.
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).
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.
Gross margin	Gross margin corresponds to revenues less cost of sales. The cost of sales consists of the price of land parcels, the related property costs (taxes, etc.), commissions paid to developers and to Kaufman & Broad sales staff, as well as fees and commissions provided for in the agency agreements executed by Kaufman & Broad in order to sell its real estate programs, construction costs and borrowing costs that may be directly attributed to program development.
H&E	The H&E (Habitat & Environment) certification process, which was implemented starting in 2003 and developed in coordination with the work of the association HQE, aims to improve the environmental quality of housing construction. This certification is only for new building projects in the residential sector (apartment buildings and individual residences in communities). The seven H&E environmental themes are grouped into three categories and define the environmental quality objectives of buildings being considered in the certification process: organizational (Environmental management of the operation, Clean site), technical (Energy – Greenhouse gas reduction, Construction segment/choice of materials, Water and Comfort, Health) and information (Green actions).
HQE®	The HQE® (Haute Qualité Environnementale or High Environmental Quality) process implemented by the association HQE® makes possible the application of an environmental policy to the construction of a building. This label allows Project Owners to specify environmental objectives on the basis of 14 targets that define the profile of their future building. This approach is also based on a managerial strategy that includes a project management system to find concrete solutions to the environmental challenges facing our planet. Its ultimate goal is the construction of comfortable buildings that are healthier and more environmentally friendly than buildings of the same generation. HQE® targets are grouped into four categories and define environmental quality objectives based on 14 items: Green building (Relationship between buildings and their immediate environment, Integration of construction process and materials, Low-pollution construction); Eco-management (Energy management, Water management, Construction waste management, Upkeep and maintenance management); Comfort (Hygrothermal comfort, Acoustic comfort, Visual comfort, Olfactory comfort); Health (Health quality of spaces, Air health quality, Water health quality).

Land reserve	This includes land for development (otherwise called the land portfolio), i.e., the land for which an act or promise of sale was signed, as well as land under consideration, i.e., the land for which an act or promise of sale has not yet been signed.
Orders (value)	These represent the value of the real property as expressed in order contracts signed, including VAT, for a given period. They are mentioned net of cancellations recorded during that period.
Orders of Housing Units (volume)	These are a reflection of the group's commercial activity. Orders are recognized in revenue based on the time necessary for the "conversion" of an order into a signed and notarized deed, which is the point at which income is generated. 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.
Pinel (incentive)	The incentive under the Pinel Law, which replaces the Duflot Law, is applicable to the calendar year 2016. Its purpose is to revive the attractiveness of investment in new property. The incentive is meant to allow every buyer of a new property or a home sold before completion (VEFA) in an eligible area to benefit from a tax reduction. The part of the reduction depends on the rental period of the property: 12% to 21% for periods from 6 to 12 years.
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.
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.
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. Future works 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 payment from customers in accordance with the percentage completion of programs, a payment schedule determined by law, while giving customers a Performance Bond. The customers' cumulative payments may not exceed 35% of the price upon completion of the foundations, 70% upon boxing up and 95% upon completion of the building. This contract makes the buyer the owner of the land and building progressively as its construction is completed.
Subcontracting	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 sub-contractor 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 guidelines.
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.
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.

Institutional, legal and financial

Adjusted EBIT	Adjusted EBIT (Earnings Before Interest and Taxes) is equal to Current operating income adjusted for borrowing costs ("Revised IAS 23") which are capitalized.
AFEP-MEDEF Code	The AFEP-MEDEF Code is the set of recommendations developed by the working groups of the Association Française des Entreprises Privées (AFEP) and the Mouvement des Entreprises de France (MEDEF) to define the principles of operation and transparency specific to improving their management and image among investors and the public, particularly in terms of Corporate Governance and remuneration of executive directors of listed companies.
AMF (Autorité des Marchés Financiers)	The Autorité des Marchés Financiers is an independent public body, legal entity and financially independent whose mission is to oversee the protection of savings invested in financial instruments, investor information and the proper functioning of financial instrument markets.
CAC 40	The continuous quotation system (Cotation Assistée en Continu) is the main stock index on the Paris exchange, and is published by Euronext. Created with 1,000 basis points on December 31, 1987 by the Compagnie des Agents de Change, the CAC 40 index is determined from the price of forty stocks listed on the continuous market among the one hundred companies whose transaction volume is the highest on Euronext Paris, which is part of Euronext, the largest European exchange. These companies representing different business sectors in principle reflect the overall economic trends of major French companies and membership is reviewed regularly to maintain its representative nature.
Cash flow	Cash flow after cost of financial debt and taxes is equal to consolidated net earnings adjusted for the portion of net earnings of equity affiliates, joint ventures and earnings of discontinued operations and estimated income and expenses.
Company mutual funds (FCPE)	Company mutual funds (FCPE) are investment funds dedicated to the employees of a company. They are managed by an undertaking for the collective investment in transferable securities of employee savings. Company mutual funds (FCPEs) are usually implemented through an incentive agreement or an employee savings plan (PEE, PEI, PERCO). They can be either "diversified" mutual funds (composed of a basket of securities, with no security being overrepresented) or "employee shareholder" mutual funds (at least a third of which is comprised of Company shares). FCPE regulations must be approved by the AMF.
Corporate officers	A corporate officer is an individual appointed by an employer when the latter is a legal entity (association, company or corporation). For example: a manager for a French limited liability company or for a 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 they are responsible to the shareholders, the partners and the law, and, more particularly, in the field of personnel management and employment law. In a société anonyme (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".
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 (as defined by the French Ministry of Ecology, Sustainable Development and Energy).
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.
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 joint-stock companies (sociétés anonymes). The total amount of directors' fees, which is typically divided among the Directors based on their attendance at Board Committee meetings, is set by the shareholders at an Ordinary Shareholders' Meeting. The Board of Directors freely decides the amount allocated to each director.
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.
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, of other financial expenses, of impairment losses, if any, of capital gains or losses on disposal of non-current assets, of non-recurring income and expenses, of the income of companies accounted for by the Equity method and of other estimated expenses.

Employee Savings Plan (PEE)	The Employee Savings Plan is a savings system implemented within companies on a collective and voluntary basis to allow employees to accumulate capital. The Employee Savings Plan may receive the proceeds from profit incentives or voluntary payments by employees. The Company may supplement its employees' payment by means of employer contributions. Such payments are generally locked-in for a period of five years, but they may be released early as needed and in a specified manner. Former employees who have left the Company due to retirement or early retirement may continue to make payments into the Employee Savings Plan.
Free cash flow	Free cash flow is equal to cash flow from operations, less net operating investments made during the period.
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 No. 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 Law No. 2010-788 of July 12, 2010 on the national commitment to the environment, (the "Grenelle II" Law), which details the goals in more specific provisions.
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.
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 executive management (...); c) the proper functioning of the internal processes of the Company, including those designed to safeguard assets. The proper functioning of the process requires that the standards or operating principles have been established and that performance and profitability indicators have been put in place; d) the reliability of financial information (...) (source: AMF reference framework – June 2010).
LBO	Leveraged buyout (LBO) is a term describing the method of acquisition of a company by using "leverage". This financial technique consists of financing a portion of the acquisition of a company by using bank or bond debt, which increases the return on equity. The acquisition debt, bank or other, is repaid by a greater drain on the revenues of the acquired company.
Liquidity agreement	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 company 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.
Managed housing	Managed housing, also referred to as serviced housing, includes housing community consisting of housing units (homes or apartments) for residential use offering a minimum of services such as reception, linen supply, cleaning and home maintenance and breakfast. There are several different types of housing in this category: student housing including apartment complexes, mostly furnished studios with a kitchenette located in the vicinity of schools and universities and close to public transportation; tourist housing located in high-potential tourist areas offering, in addition to the usual services, amenities such as swimming pools, sports fields, sometimes saunas, steam rooms, jacuzzis and children's clubs; corporate housing as an alternative to traditional hotels including studios (about 80%) and two-room apartments located in city centers or close to major business centers with convenient access to everything; and lastly, living accommodations for older adults (including both assisted and non-assisted living facilities for the elderly) designed to anticipate the aging of the population and housing people aged 55 and over; their customers include both tenants and landlords.
Net debt or net financial debt	The net debt or net financial debt of a company is, on one hand, the balance of its gross financial debt and the available financial assets forming its "cash and cash equivalents", on the other. It represents the creditor or debtor position of the Company with respect to third parties outside the operating cycle.
Net earnings per share	Attributable net income divided by the average number of shares during the fiscal year.
Nominal (or par) value of a share	The nominal value of an equity instrument (securities such as shares, bonds, etc.), also known as the face or par value, is the value set when the security is issued. The nominal value of a share is the percentage of authorized capital that it represents. For shares, the nominal value has an accounting meaning only. It is the capital classified as liabilities on the Company's balance sheet divided by the number of shares it has issued. This value is set at the discretion of the shareholders.

Preemptive rights	The preemptive right is a right that allows the shareholder to subscribe to the capital increase of a company. For each existing share, one subscription right is attached. The exercise of this right then gives priority to current shareholders to participate in the issuance of new shares of the Company in question. It is called a preemptive or preferential subscription right. The number of rights required to subscribe to one new share is also called rights exchange ratio. Generally speaking, the issue price of new shares is less than the market price of existing shares to be attractive to current shareholders. This price difference serves as the basis for assessing the price of the subscription right. The preemptive rights themselves are traded at the start of the capital increase. They are listed during the subscription period to enable current shareholders to sell their rights if they do not wish to subscribe to new shares and to current shareholders (if they lack rights) and new shareholders to acquire a sufficient number of rights to subscribe to new shares.
Senior loans (lines of credit)	Banks use senior debt to fund LBO (leveraged buyout) transactions. LBO financing by banks is risky in the bank credit market. It is characterized by a loan repayable by installments 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 “priority debt”.
Share	Equity instrument representative of a portion of the capital issued by the corporation that issued it. It gives the holder ownership of part of the capital, and the rights associated with it, such as the ability to be involved in the management of the Company and to derive an income therefrom known as a dividend. A share gives one vote to its owner (shareholder) at Shareholders’ Meetings, and shares may be, as appropriate and in a specified manner, publicly traded.
Shares in “registered” form	Mode of holding shares in which the name of the shareholder appears in the books of the Company. The registration of certain shares in registered form maximizes the performance of a portfolio by reducing management costs, provided that the shareholder is ready to make lasting connections with the Company in which he or she wants to invest. If registered shares are “administered”, that means that management of the Company’s securities account is entrusted to a financial intermediary. For “pure registered” shares, all service for the securities is handled by the Company.
Statutory Auditors	Representatives of shareholders that enable shareholders to vote at Shareholders’ Meetings on the financial statements, the Statutory Auditors’ primary duties (for a term of six years) are auditing the annual financial statements, which include, as integral parts, the balance sheet, income statement and accompanying notes. Their role is to certify that the financial statements present fairly, in all material respects, the results of operations, the financial position and the assets of the Company. Statutory Auditors practice a regulated profession whose organization and bylaws are set by Decree No. 69-810 of August 12, 1969 (as last amended by Decree No. 2005-599 of May 27, 2005). Only individuals or legal entities included in a special list, which is compiled at every court of appeal, may exercise this profession. These regulations are summarized as follows: the technical qualification of Auditors is guaranteed by professional examinations that serve as gateways to the profession, standards and professional ethics and oversight of their activity. Their independence is based on the incompatibility of their task with any other activity (an expert accountant, legal counsel or Board member of a company cannot serve as its Statutory Auditor) and statutory and regulatory definition of the term.
Sustainable Development	According to the Brundtland report, 1987, the meaning 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.” To be sustainable, development must reconcile three major factors: social equity, environmental protection and economic efficiency.
Voting rights	Voting rights are exercised at Shareholders’ Meetings of a Company and are attached to a share that entitles its holder to participate in 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.
Working Capital Requirement (WCR)	WCR results 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 customers.

Cover photo credit for the “Emergence” program: ©Philippe Stroppa

Architect: Vincent Parreira – AAVP et Aires Mateus e Associados

KAUFMAN  BROAD

KAUFMAN & BROAD S.A.
127 avenue Charles de Gaulle
92207 Neuilly-sur-Seine Cedex
kaufmanbroad.fr