



KAUFMAN $\triangle$ BROAD

2018

Registration
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2018 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.



This Registration Document was filed with the *Autorité des Marchés Financiers* (AMF) on March 29, 2019, in accordance with Article 212-13 of the AMF General Regulations. It may be used to support a financial transaction if it is supplemented by a prospectus approved by the AMF. The Registration Document has been prepared by the issuer and its signatories are responsible for the content.



Group PROFILE

Since it was created in 1968, Kaufman & Broad has marketed or commissioned the construction of nearly 132,000 homes and 930,000 sq.m of office and business space in France.

Kaufman & Broad is a solid group that is national in scope, driven by men and women with an entrepreneurial spirit who, for more than 50 years, have shared the same vision of our business: customers and users are central to our strategy and our decisions.

"We listen, imagine, and share to learn about new usage habits and lifestyles every day, and to offer a unique experience in the neighborhoods, residential and office buildings, serviced residences, and shops that we build all across France."

Kaufman & Broad is present across France, with locations in the main metropolitan areas and in geographic sectors with high potential for economic and demographic development on the medium- and long-term. The group offers a broad range of products and associated services including both residential and Commercial Property suitable to meet our customers' aspirations and needs, be they individuals or institutions, first-time or second-time homebuyers or investors.

The 2018 results confirm the quality of Kaufman & Broad's fundamentals under less dynamic market conditions. They show that its growth model is capable of generating profit and cash flow. This model guarantees a long-term capacity for distribution while reinforcing its financial solidity and its outlook for growth.

Given that the French housing market was in decline in 2018, as we anticipated, these positive sales results attest that our housing supply is in line with demand and underscores our capacity for giving our customers high-quality housing at prices consistent with their spending power.

In 2019, the favorable market fundamentals were still powerful (demographic dynamics, in particular the need to build in high-demand, low-supply areas), which helped boost demand for new housing. However, due to a projected decrease in the number of building permits granted and a predicted increase in the project abandonment rate linked to a persistent gap between asking prices and purchasing power, the market should settle at around 115,000 housing units.

MESSAGE from the Chairman

In 2018, Kaufman & Broad continued to demonstrate its operational performance, underscoring its capacity to combine profits and cash flow in a decelerating market. Thanks to this value-creating model, our group was able to maintain its dividend policy while reinforcing its financial structure and its outlook for development.

The group's primary commercial indicators testify to the relevance of our approach. Total reservations increased by 15% in value, while the take-up period remained twice that of the national market, illustrating the relevance of our products and our pricing. The increases in the land reserve (8.4%) and in overall Backlog (17.9%) confirm Kaufman & Broad's strong long-term growth capacity.

The success of our economic model is based around the key points of our strategy: consolidating our positions as a leader in regions outside of Paris, developing our local network and our Business Property network in Île-de-France and in other Regions, and, above all, innovating to better serve our customers.

For more than 50 years, our group has been able to adapt our products to our customers, whether this requires innovating to listen to customers' needs or innovating in the area of services, quality, or techniques. Kaufman & Broad is constantly striving to understand and keep up with market trends to better anticipate and satisfy our customers' expectations.

**“IN 2018,
KAUFMAN & BROAD
CONTINUED
TO DEMONSTRATE
ITS OPERATIONAL
PERFORMANCE”**



For 2019, we envisage a market with even more solid fundamentals, yet one that is still in decline compared with 2017 and 2018, potentially with around 115,000 housing units. In this context, and based on anticipations of stable interest rates remaining at low levels, we estimate that the group's revenue should stay at the same level as in 2018. The gross margin ratio is expected to hold at around 19% and the adjusted EBIT ratio should stay above 9% expressed as a percentage of revenue.

The Board of Directors will propose the payment of a dividend of €2.50 per share to the General Meeting of Shareholders on May 2, 2019, including an option for payment in cash, shares, or in cash and shares.

On behalf of myself and the Board of Directors, I thank you and all the group's employees for your commitment and your trust.

Nordine Hachemi

Chairman and Chief Executive Officer

2018 HIGHLIGHTS

Once again in 2018, the quality of Kaufman & Broad's fundamentals were confirmed under less dynamic market conditions.



+12.0%

Revenue (2018/€1,558.2m)

+1.1%

Reservations for
9,122 housing units

Early repayment of the €50 million syndicated line of credit

On November 30, 2018, Kaufman & Broad SA prepaid €50 million on its Senior B syndicated line of credit totaling €100 million. This repayment reduced the group's gross financial debt from €250 million to €200 million, including €150 million in bond issues with a maturity of more than six years. This partial reimbursement concerned the most mature portion of the group's gross financial debt (less than two and a half years) and was possible thanks to the group's positive net cash situation. Based on the cash position at the end of November 2018, Kaufman & Broad SA's financing capacity after this transaction was €353.4 million.

Payment in shares of the dividend for the fiscal year ended November 30, 2017

The Kaufman & Broad S.A. Shareholders' Meeting, held on May 3, 2018, resolved to propose to the shareholders the option of receiving payment of all or part of the dividend in stock for the year ended November 30, 2017. The issue price of these new shares was set at €37.60, representing 90% of the average price of Kaufman & Broad shares on the Euronext Paris regulated market over the 20 trading sessions preceding the date of said Shareholders' Meeting, less the net dividend of €2.10 per share, rounded up to the nearest euro cent. The option was open for acceptance from May 9 to May 22, 2018 inclusive. At the end of this period, the shareholders who chose payment of the dividend in stock accounted for 67.3% of Kaufman & Broad S.A. shares.

2019 CALENDAR

April 12, 2019

Publication of Q1 2019
results (after market close)

July 10, 2019

Publication of H1 2019 results
(after market close)

September 30, 2019

Publication of Q3 2019 results
(after market close)

May 2, 2019

Shareholders' Meeting

July 11, 2019

Presentation of H1 2019
results

October 1, 2019

Presentation of Q3 2019 results
(conference call)

(This schedule is subject to change)

To pay the share dividend, 790,539 new shares were issued, representing 3.75% of the share capital and 3.60% of the voting rights of Kaufman & Broad SA on the basis of the share capital and voting rights as of April 30, 2018. The settlement/delivery of the shares and their admission to trading on the Euronext Paris regulated market will take place starting on May 30, 2018.

The total dividend in cash to be paid to those shareholders who did not accept the stock dividend option, or who opted for partial payment in shares, amounted to €13.9 million and was paid on May 30, 2018.



Implementation of the share buyback program

Within the framework of implementing its share buyback program, Kaufman & Broad SA announced that on October 10, 2018, an irrevocable mandate was signed with an independent service provider for the buyback of its own shares up to €8,000,000 (eight million euros) between October 11, 2018 and February 15, 2019. The purchase price may not exceed the maximum purchase price set by the Combined Shareholders' Meeting on May 3, 2018. On December 18, 2018, Kaufman & Broad decided to raise this amount from €8,000,000 to €10,000,000. On February 8, 2019, this mandate was extended until July 20, 2019. On November 30, 2018, the Company owned 160,632 shares acquired as part of this program (representing 0.73% of the Company's capital).

Governance

With the objective of continually improving its governance, Kaufman & Broad's Board of Directors has decided to appoint Yves Gabriel to the position of Lead Director. Yves Gabriel joined the Board of Directors on March 8, 2016 as an independent Board member and subsequently became chair of the Compensation and Nominating Committee.

He was the Chairman and CEO of Bouygues Construction and member of the Bouygues group's Board from 2002 to 2015, CEO of the SAUR group from 1996 to 2002, and CEO of the SCREG group from 1992 to 1996. Before that, he held management roles in different subsidiaries of the SCREG and Bouygues groups.

Yves Gabriel will assist the Chairman in his 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.

€50.0 million

Cash net of financial debt



+8.4%

Increase in property portfolio



€73.0 million

Attributable net income



19.3%

Gross margin rate



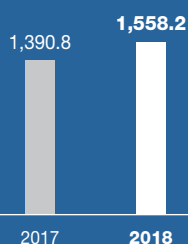
“KAUFMAN & BROAD WILL CONTINUE ITS STRATEGY OF MARKETING PROJECTS THAT RESPECT ITS CUSTOMERS' EXPECTATIONS AND THEIR FINANCIAL MEANS.”

KEY FIGURES and stock market data



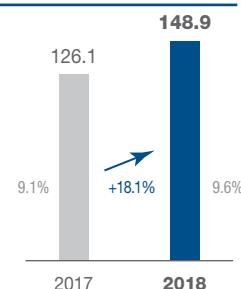
REVENUE (in € millions)

Revenue increased by 12.0% to €1,558.2 million, compared with €1,390.8 million in 2017.



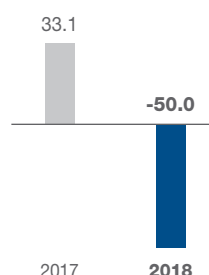
ADJUSTED EBIT (in € millions) (as a percentage of revenue)

Adjusted EBIT increased by 18.1% compared with November 30, 2017. It came in at €148.9 million, with current operating income of €137.2 million and borrowing costs of €11.7 million.



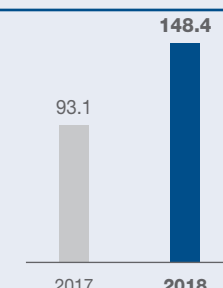
NET FINANCIAL DEBT (in € millions)

At November 30, 2018, net financial debt was €50.0 million compared with net debt of €33.1 million at November 30, 2017.



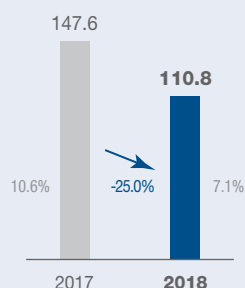
AVAILABLE CASH FLOW (in € millions)

Available cash flow amounted to €148.4 million at November 30, 2018, versus €93.1 million at November 30, 2017.



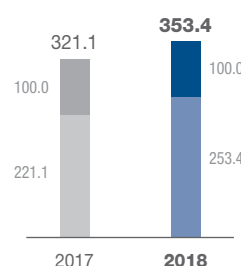
WORKING CAPITAL REQUIREMENT (in € millions and as a percentage of revenue)

Operating Working Capital Requirement (excluding current taxes), was €110.8 million at November 30, 2018, compared with €147.6 million at November 30, 2017, i.e. a decrease of €36.8 million.

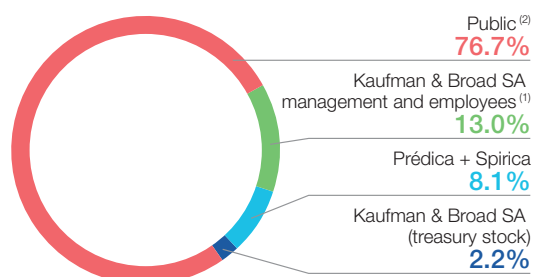


FINANCIAL CAPACITY (in € millions)

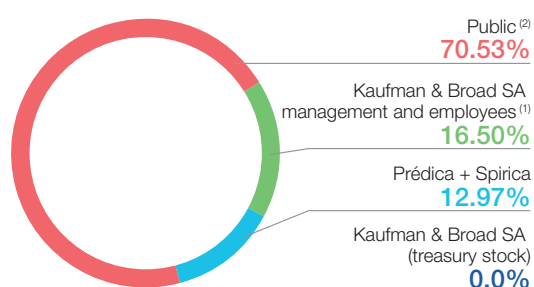
Cash and cash equivalents at November 30, 2018 totaled €253.4 million. The €100 million of the unutilized RCF line, added to cash and cash equivalents, brings the group's borrowing capacity at end-November 2018 to €353.4 million, compared with €221.1 million at end 2017 (including €100 million in unutilized RCF in 2017).



BREAKDOWN OF SHARE CAPITAL (at November 30, 2018)



PERCENTAGE OF VOTING RIGHTS (at November 30, 2018)



(1) Includes executives and employees of the Company via Artimus Participations, the Kaufman & Broad Actionariat FCPE and the KB Actions 2017 FCPE. They make up 13.4% of capital and 17.9% of voting rights, including employees who own personal registered shares.

(2) The shares owned by the Directors are included in the "Public" row of shareholders at November 30, 2018.

STOCK MARKET DATA

€46.60

High



€29.38

Low

€33.40

Last traded price on December 31, 2018

21,864,074

Number of shares at December 31, 2018

€730.3 million

Market capitalization at December 31, 2018

100,737

Average daily volume on all platforms⁽¹⁾
(from January 1 to December 31, 2018)
Including Euronext: **34,239**

(1) Sources: Euronext Post-Listing Advisory, Fidessa Fragmentation Index.

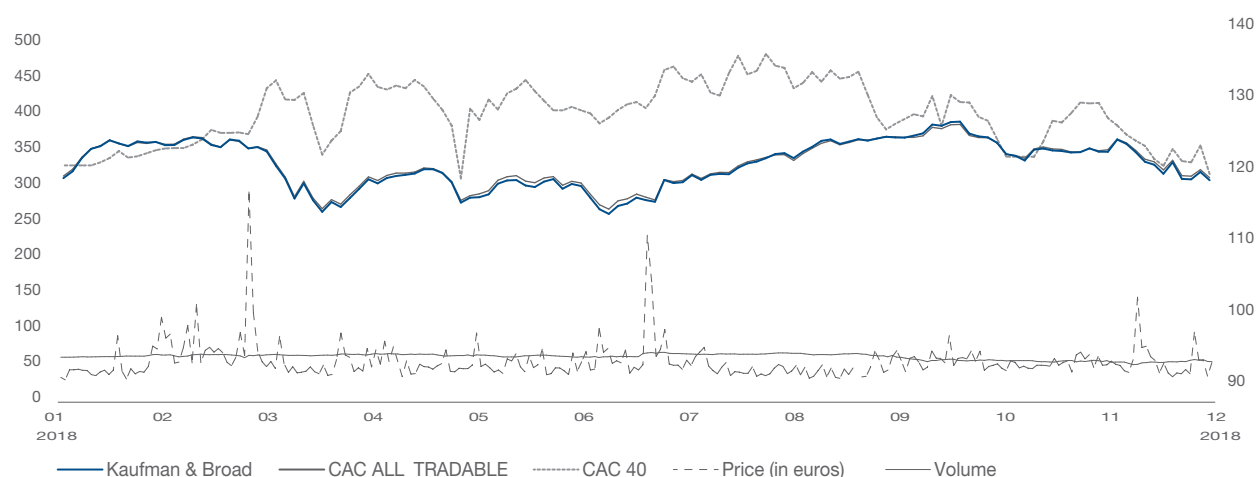
Euronext Market

Compartment B Mid-caps

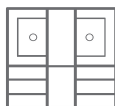
CAC 40 and CAC ALL TRADABLE indexes

ISIN code FR 0004007813

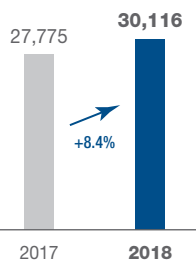
KAUFMAN & BROAD SHARE PRICE TREND COMPARED WITH THE CAC 40 AND CAC ALL-TRADABLE



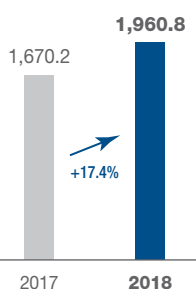
BUSINESS ACTIVITIES



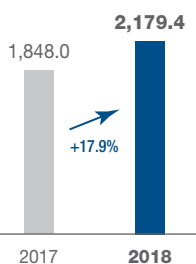
LAND PORTFOLIO
(in units, number of homes)



HOUSING BACKLOG
(in € millions, excluding VAT)

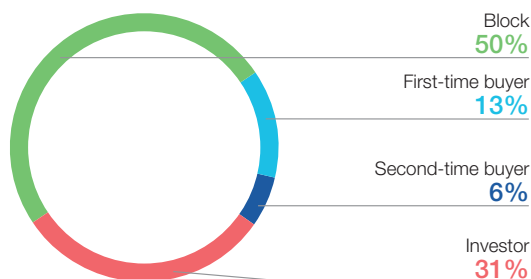


TOTAL BACKLOG
(in € millions, excluding VAT)



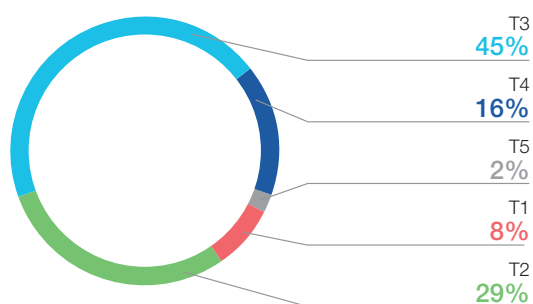
ORDERS BY TYPE OF BUYER

(in terms of number at November 30, 2018)



COMMERCIAL OFFER BY APARTMENT TYPE

(in terms of number at November 30, 2018)



14,356

Units under construction



TAKE-UP PERIOD IN MONTHS

5.0 months

-1.3 months in 2 years



11,628

Housing units in the backlog



9,122

Housing units ordered



HEADCOUNT

889
Employees

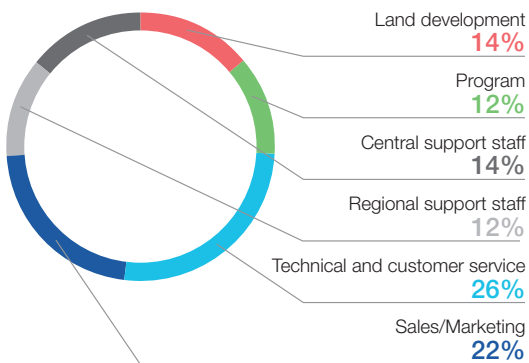


461
Women

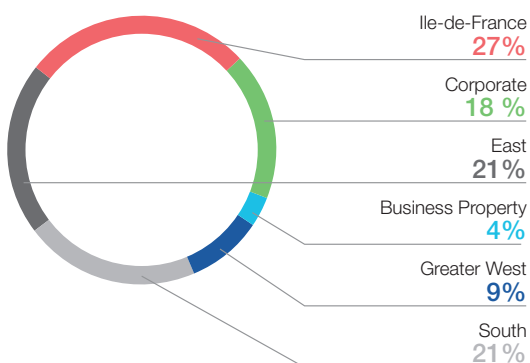


428
Men

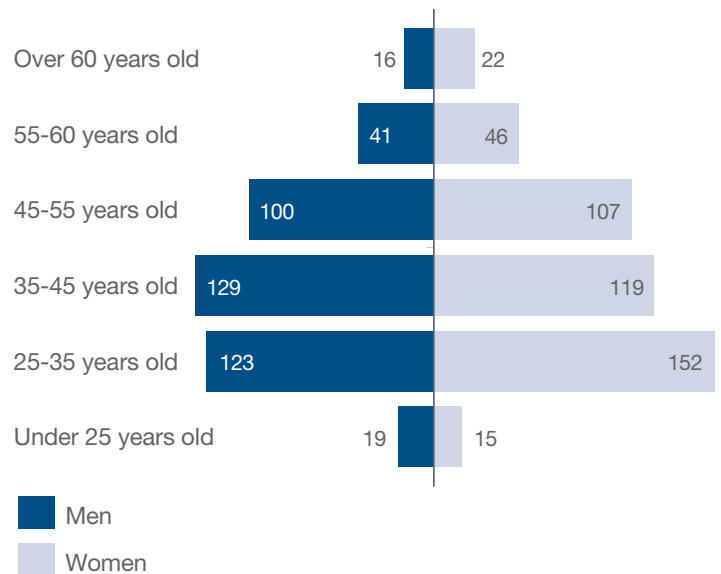
AVERAGE HEADCOUNT BY FUNCTION (at December 31, 2018)



AVERAGE HEADCOUNT BY REGION (at December 31, 2018)



AGE PYRAMID (recognized at December 31, 2018)

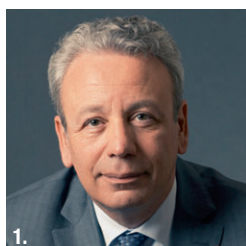


Corporate GOVERNANCE

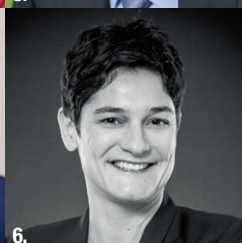
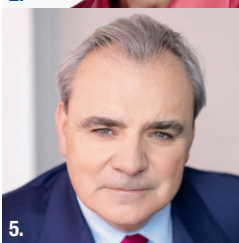
The main role of the Board of Directors is to determine the Company's business strategy and oversee its implementation.

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



Nordine Hachemi
Chairman
and Chief Executive Officer



Independent Directors ⁽¹⁾

2. Sylvie Charles
(SNCF Logistics)
Chair of the Audit Committee

3. Yves Gabriel
(Yves Gabriel Consulting)
Lead Director

4. Sophie Lombard
(Parvilla)
Director

5. Jean-Louis Chaussade
(Suez group)
Director

6. Caroline Puechoultres
(Carrefour)
Director

7. Lucile Ribot
Director

Other Directors

8. Michel Paris
(PAI Partners)
Director

9. Frédéric Stévenin
(PAI Partners)
Director

10. Karine Normand
Director representing employee
shareholders

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

Management



Nordine Hachemi
Chairman
and Chief Executive Officer



Bruno Coche
Chief Financial Officer



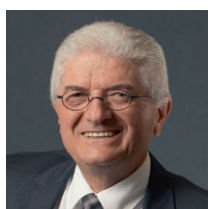
Christian Delapierre
General Manager Institutional
Sales and Île-de-France
– Inner Paris suburbs



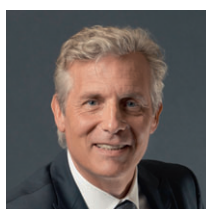
David Laurent
General Manager Business
Property, Urban Projects,
and Innovation



Sophie Letierce
Human Resources Director



Jacques Rubio
General Manager Grand Sud-Ouest
and Managed Accommodation



William Truchy
General Manager Major Regions,
Marketing, Communication and Digital,
Architecture-Quality and Innovation
and Sales and Showroom

Operational divisions

PARIS/ÎLE-DE-FRANCE

Nordine Hachemi manages the Île-de-France Region

Christian Delapierre, General Manager Île-de-France
– Inner Paris Suburbs Sector 3 (75, 92, 93 and 94 North)

- Marc Vetraino, Regional Manager Sector 3
(75, 92, 93 and 94 North)
- Luc Le Gall, Agency Director Paris North (75, 93)

Cyril Doucet, Regional Senior Vice-President Outer Paris
Suburbs (77, 78, 91, 94 South and 95)

- Krystel Briant, Agency Director Seine-et-Marne
- Isabelle Charveriat, Agency Director Essonne
and Val-de-Marne South
- Mathieu Jaegle, Agency Director Yvelines
- Agency Director Val d'Oise

Frédéric Bourg, Senior Vice-President Île-de-France
Operations

GRAND OUEST REGION (LOIRE ATLANTIQUE - BRITTANY - NORMANDY - NORTH FLANDRES - CHAMPAGNE) AND GRAND EST REGION (EAST- RHÔNE- ALPES - SAVOIE - MÉDITERRANÉE - CÔTE D'AZUR - PROVENCE)

**William Truchy, General Manager
Major Regions, Marketing,
Communication and Digital,
Architecture-Quality and Innovation
and Sales and Marketing
and Showroom**

GRAND OUEST: LOIRE-ATLANTIQUE - BRITTANY - NORMANDY - NORTH FLANDRES - CHAMPAGNE

Christophe Duretete, Senior Vice-President, Grand Ouest

Guillaume Basile, Normandy Agency Director
(Caen/Rouen/Le Havre)

Christophe Duretete is the director of Brittany agency
(Rennes) and the Pays de Loire agency (Nantes/
Val de Loire)

Nicolas Riffart, Agency Director North Flandres (Lille/
Reims)

GRAND EST: EAST - RHÔNE-ALPES - MÉDITERRANÉE - SAVOIE - CÔTE D'AZUR - PROVENCE

Marc Speisser, Regional Senior Vice-President Grand Est

Thierry Guehenneuc, Agency Director Rhône-Alpes
(Lyon/Dijon)

Ludovic Landon, Agency Director Alpes (Annecy/
Grenoble)

Stéphane Thirrouiez, Agency Director Côte d'Azur (Nice)

Nicolas Batisse, Agency Director Provence (Toulon)

Xavier Granger, Agency Director Méditerranée (Marseille)

Thibaud Simon, Agency Director East (Strasbourg)

GRAND SUD-OUEST: OCCITANIE - NOUVELLE AQUITAINE - POITOU CHARENTES

Jacques Rubio, General Manager, Grand Sud-Ouest, Managed Accommodation

Julien Destouches, Agency Director Languedoc-
Roussillon (Montpellier) and Pyrénées Orientales (Perpignan)
Geoffrey Doux, Agency Director Pyrénées-Atlantiques
(Bayonne)

Georges Lopez, Agency Director Gironde (Bordeaux)
and Poitou-Charentes (La Rochelle)

Pierre-Emmanuel Dao, Agency Director Midi-Pyrénées
(Toulouse)

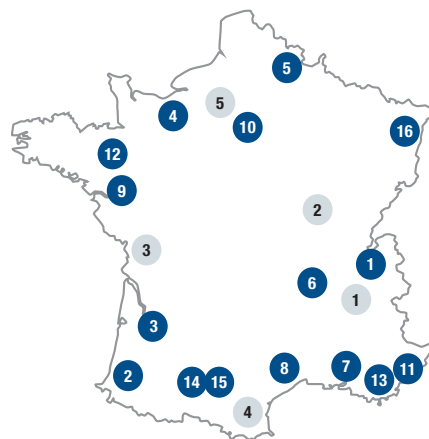
Marjorie Tempier, Agency Director Serge Mas
Promotion (Toulouse)

BUSINESS PROPERTY, URBAN PROJECTS, AND INNOVATION

David Laurent, General Manager Business Property Urban Projects, and Innovation

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MAIN group LOCATIONS



AGENCIES

1 Anecy 68, rue Cassiopée Altaïs B6 – Parc Altaïs 74650 Chavanod Tel.: 04 50 05 61 95	2 Bayonne Immeuble Aitzina, 69, avenue de Bayonne 64600 Anglet Tel.: 05 59 59 60 60	3 Bordeaux 30, allée de Tourny 33064 Bordeaux Cedex Tel.: 05 56 12 72 72	4 Caen 14, rue Saint-Pierre 14000 Caen Tel.: 02 31 15 56 56	5 Lille 238, boulevard Clemenceau 59700 Marcq-en-Barœul Tel.: 03 28 33 83 23
6 Lyon 19, rue Domer CS 10231, 3e étage 69362 Lyon Cedex 07 Tel.: 04 72 84 03 74	7 Marseille Le Silo d'Arc 35, quai du Lazaret – CS 30010 13002 Marseille Cedex 02 Tel.: 04 96 17 32 00	8 Montpellier 266, place Ernest-Granier 3e étage 34000 Montpellier Tel.: 04 67 13 82 70	9 Nantes 25 bis, rue Paul-Bellamy – BP 10216 44002 Nantes Cedex 1 Tel.: 02 40 74 44 44	10 Neuilly-sur-Seine (Head Office – Île-de-France – Business Property – Showroom) 127, av. Charles- de- Gaulle 92207 Neuilly-sur-Seine Tel.: 01 41 43 43 43
11 Nice 400, promenade des Anglais 06200 Nice Tel.: 04 93 21 84 84	12 Rennes 121, rue du Temple de Blois 35136 Saint-Jacques- de-la-Lande Tel.: 02 99 52 70 37	13 Toulon Le Palais de la Liberté 17, place de la Liberté 83000 Toulon Tel.: 04 94 02 99 00	14 Toulouse 27 bis, allée Jean-Jaurès 31010 Toulouse Cedex 6 Tel.: 05 34 41 08 08	15 Serge Mas Promotion 30 bis, allée Jean-Jaurès 31000 Toulouse Cedex 6 Tel.: 05 62 73 17 31
				16 Strasbourg 15 rue des Francs- Bourgeois 67000 Strasbourg



OFFICES

1 Grenoble	2 Dijon 4 avenue de la 1ère Armée- Française 21000 Dijon	3 La Rochelle 56, rue Saint-Yon 17000 La Rochelle	4 Perpignan 30 Avenue du Général-Leclerc 66000 Perpignan	5 Rouen 3 rue Rollon 76000 Rouen



INFORMATION

about the group's business activities

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1.1. The Kaufman & Broad group

For over 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 132,000 housing units and 930,000 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 2018, the Île-de-France market represented 40.8% of the group's housing orders versus 34.9% in 2017.

Kaufman & Broad has become one of the biggest French players in the real estate world for several years, in both residential and Commercial Property. 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 communities, planners and local residents, as well as investors (private, institutional and public) and future users.

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 continues to advise its customers during the first two years of operation.

Kaufman & Broad offers its customers the ability to move into a home that is ready for immediate occupancy and that the customer will have 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.

Commercial Property

Kaufman & Broad's Commercial 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. It depends in particular on factors such as quality, sustainability, a safe investment, long-term profitability, a respected and protected environment and economic attractiveness.

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”).

New offices

For Kaufman & Broad, every project is unique. Kaufman & Broad is there every step of the 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:

- 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

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 Business 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 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 and distribution, as well as in the development of new business parks.

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 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 Business Property available to users and the city, so that ground-floor commercial premises can be developed in housing units or managed accommodation.

Urban Projects and Innovation

In 2014, Kaufman & Broad created an 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 Urban Projects Department is incorporating the Innovation Department and 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 SA 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 remaining equity interest in Kaufman & Broad's share capital by Financière Gaillon 8 (a company controlled by funds 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.

From 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.

From 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, 2018, Artimus Participations owned 2,321,440 shares or 10.62% 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 was 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 AFEP-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 price in the aggregate amount of €5.5 million, representing goodwill of €1.8 million allocated to portfolio programs.

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 was €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 were acquired on June 23, 2017.

The final total price of this transaction amounted to €14 million.

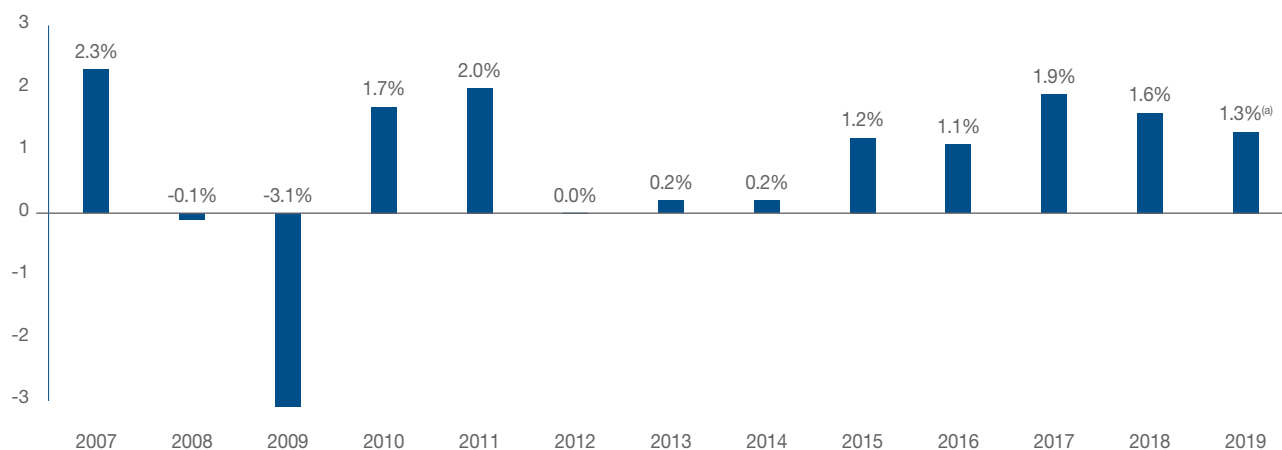
1.1.2. Main characteristics of the business

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.

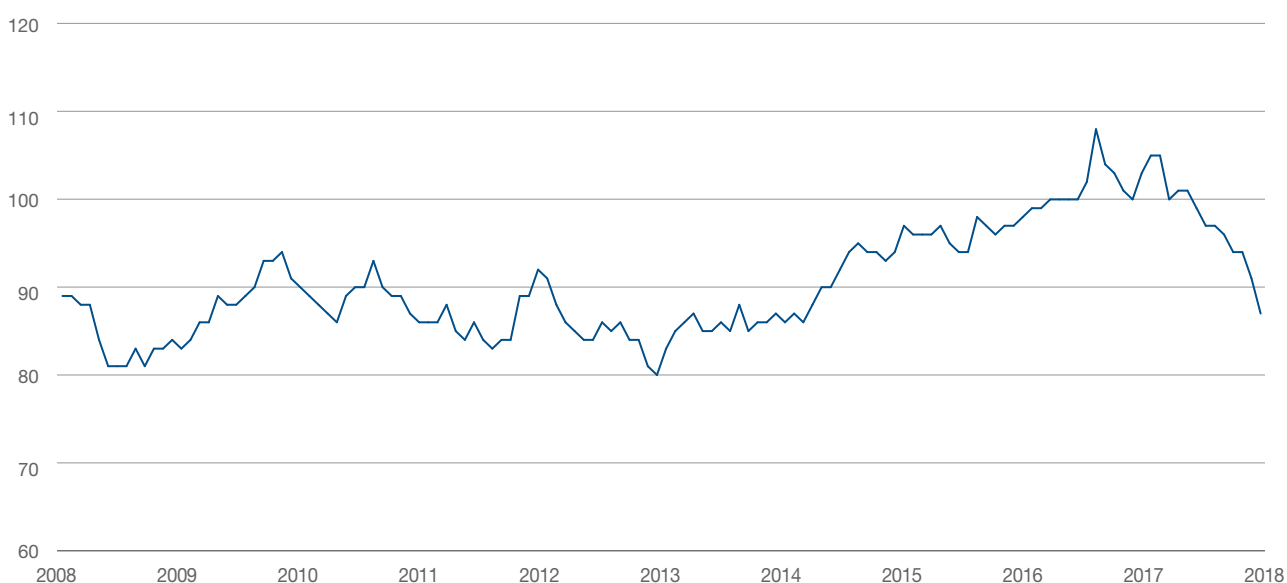
FRENCH GDP GROWTH



Source : INSEE.

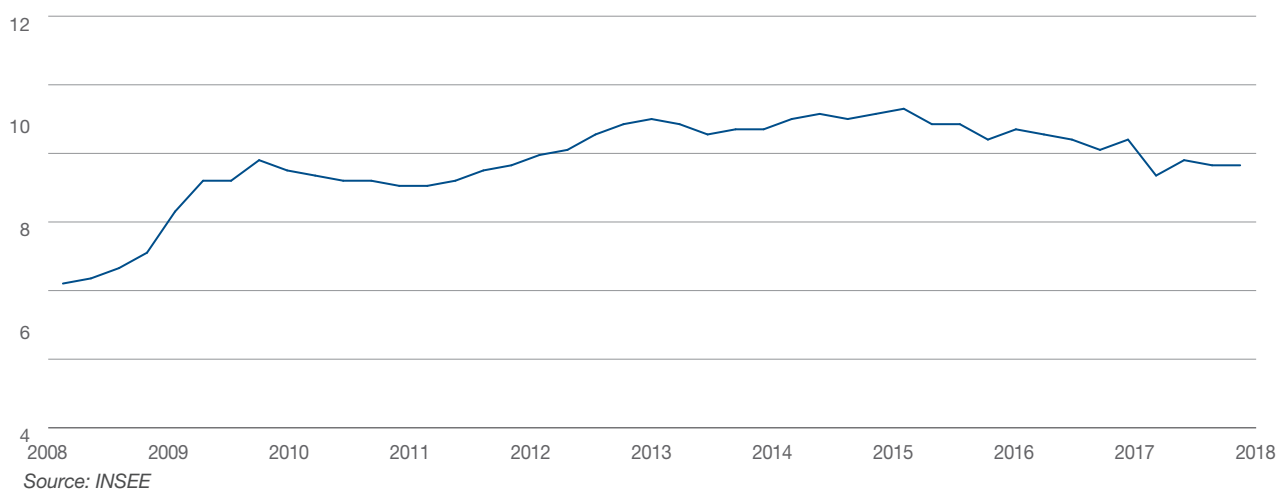
(a): OECD estimate on March 6, 2019.

CONSUMER CONFIDENCE INDEX MONTHLY TREND



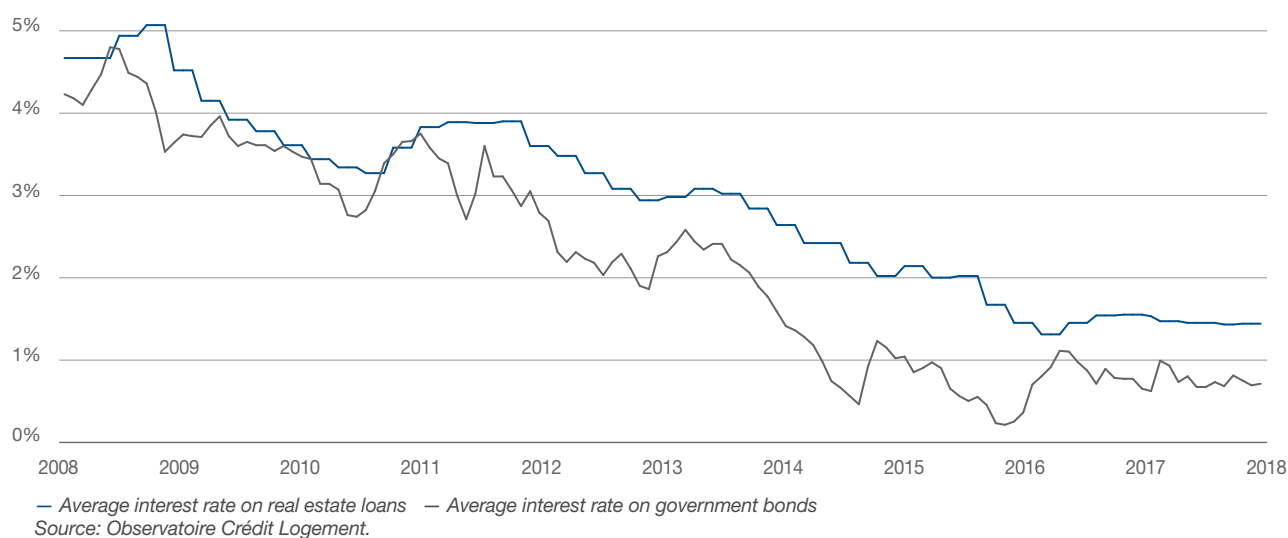
Source: INSEE.

CHANGE IN THE UNEMPLOYMENT RATE IN METROPOLITAN FRANCE



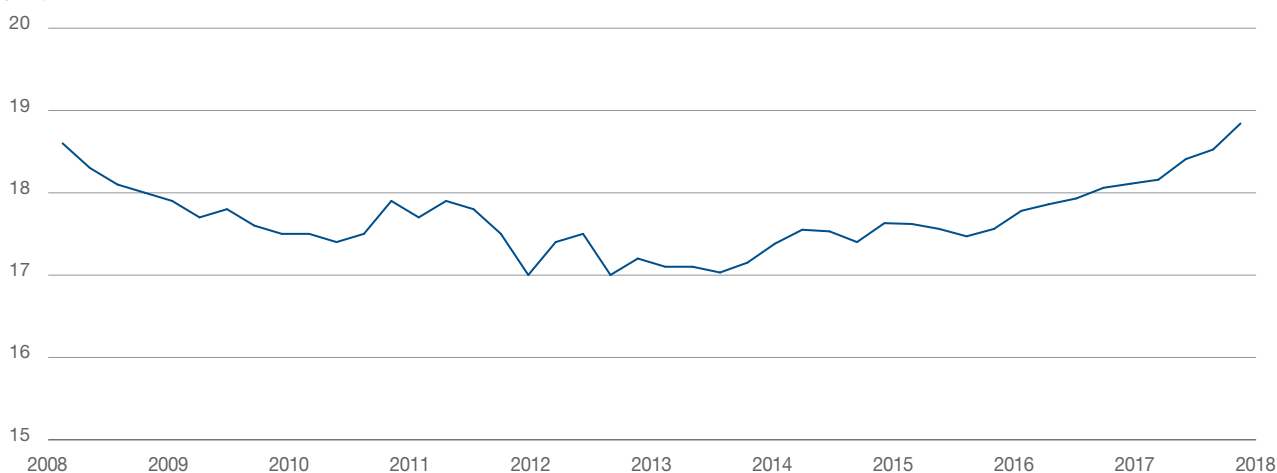
Housing property indicators

AVERAGE INTEREST RATE ON REAL ESTATE LOANS



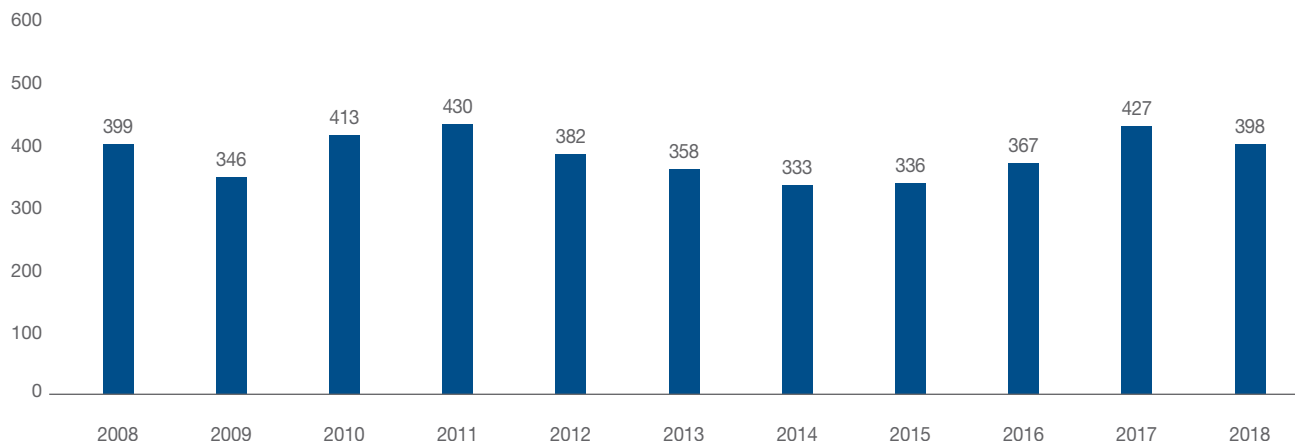
AVERAGE TERM OF REAL ESTATE LOANS

(in years)



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

(in € thousands)



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

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

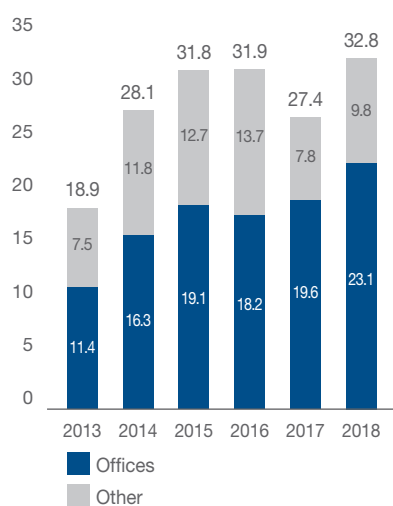
As of December 31, 2018, housing under construction (started) totaled 398,100 housing units versus 427,900 housing units started in 2017. They are divided into pure individual housing units (124,900), grouped homes or Single-family homes in communities (42,200), multi-occupancy housing (204,100) as well as serviced housing (25,900). 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).

Business Property indicators

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

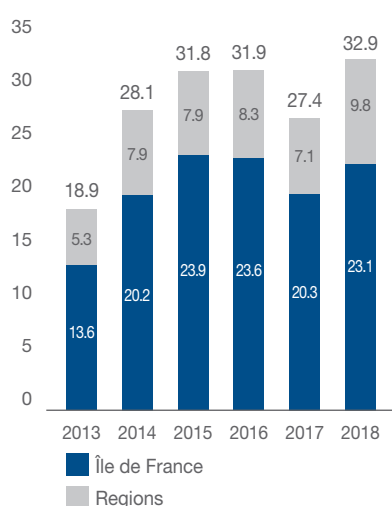
(in € billions)



Source: BNP Paribas Real Estate.
Publication: At a Glance Investment in France – 2018 Q4

AMOUNTS INVESTED IN BUSINESS PROPERTY IN FRANCE: "ÎLE-DE-FRANCE" VS. "REGIONS"

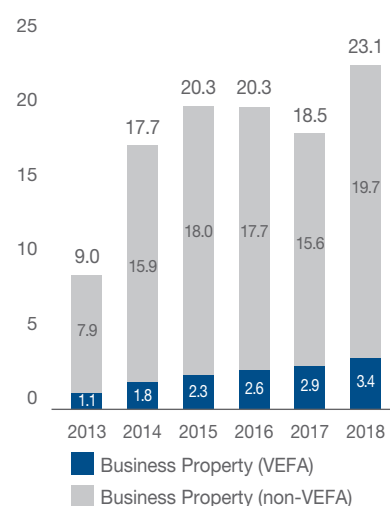
(in € billions)



Source: BNP Paribas Real Estate.
Publication: At a Glance Investment in France – 2018 Q4

BUSINESS PROPERTY IN ÎLE-DE-FRANCE

(in € billions)



Source: BNP Paribas Real Estate.
Publication: At a Glance Investment in France – 2018 Q4

1.1.2.2. Tax incentives

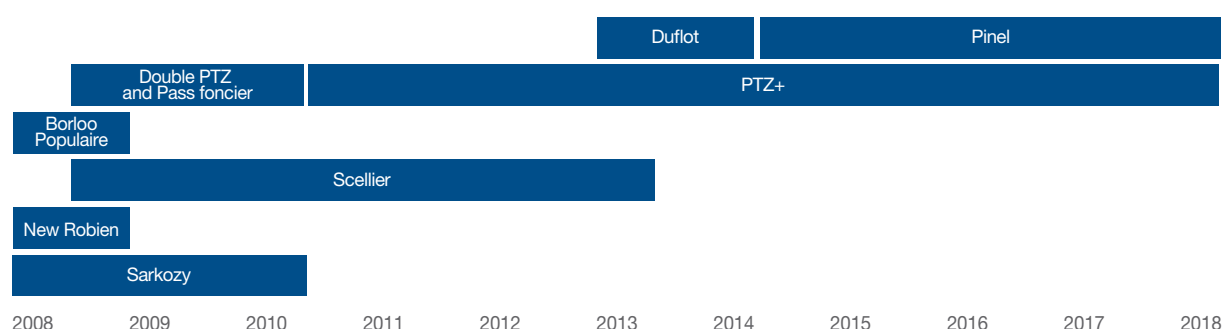
The market for new housing units has benefited from various tax incentives for more than 20 years. The French government has created financing incentives for the purchase of property through loans such as the home ownership assistance loan (PAP). The PAP loan was replaced in 1995 by the zero-interest 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:



1.1.2.2.1. 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. The investment can be made directly by the taxpayer or through the intermediary of a company not subject to corporation tax other than a real estate investment trust ("SCPI").

For purchases made prior to September 1, 2014, the fixed term of the leasing commitment had to be nine years. The tax reduction is set at 18% of the purchase price. The tax reduction is calculated from the eligible cost price of the housing, limited to €5,500 per square meter of living area and with the total amount capped at €300,000.

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 2018.

The rental commitment must contain a statement which stipulates that the rent and the tenant's resources do not exceed a ceiling set by decree (initially Decree No. 2012-1532 of December 29, 2012 as codified in Articles 199-novovicies II of the French General Tax Code and 2-terdecies D of Annex III of the French General Tax Code).

Lastly, all housing units sold before completion and purchased after September 1, 2014 must be completed within the following 30 months, no longer measured from the date of announcing the construction, but now from the date of signing of the notarized deed by each buyer.

Terms and conditions of the tenancy

The tenancy must become effective within 12 months of the acquisition or completion of construction of the building. It must be effective and continuous for a minimum period of six or nine years, the duration of the tenancy being calculated from date to date, from the date on which the initial lease takes effect. 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 is not renewable beyond that.

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

The housing unit must be rented unfurnished for use as the tenant's primary residence. 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 ascendant or descendant is not a member of the taxpayer's household.

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 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. This shift applies to acquisitions carried out on

or after January 1, 2018. However, units for which building permits were filed before December 31, 2017 are eligible for the Pinel incentive in zone B2 as long as the deed of sale is notarized before March 15, 2019.

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%, and rises 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%

Rent ceiling

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 2017 and leases signed or renewed in 2018:

Zone (€/sq.m/month)	Monthly rent ceiling per square meter	
	2017	2018
A	€12.50	€12.59
Aa	€16.83	€16.96
B1	€10.07	€10.15
B2	€8.75	€8.82

(* The Pinel incentive remained applicable to the construction of housing units for which a building permit request had been filed before January 1, 2018, if the purchase will be completed before March 15, 2019.)

These rent ceilings are then multiplied by a factor (which varies according to the floor area of the housing unit to take into account the reality of the rental market) that is 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 when applying the ceiling is the reference tax income shown in the tax assessment for the year prior to the year preceding the signing of the tenancy agreement.

The income ceiling to apply depends on the composition of the tax household on the date of lease signing. This ceiling is raised on January 1 of each year in accordance with the Rent Reference Index.

The tenant's income is calculated once and for all on the date of lease signing.

The annual ceilings on tenant income are as follows for leases signed or renewed in 2018:

Composition of tenant household (in €/year)	Zone A	Zone Aa	Zone B1	Zone B2 and C
Single person	€37,508	€37,508	€30,572	€27,515
Couple	€56,058	€56,058	€40,826	€36,743
Single person or couple with one dependent	€67,386	€73,486	€49,097	€44,187
Single person or couple with two dependents	€80,716	€87,737	€59,270	€53,344
Single person or couple with three dependents	€95,553	€104,390	€69,725	€62,753
Single person or couple with four dependents	€107,527	€117,466	€78,579	€70,721
Supplement for the fifth and each additional dependent	+€11,981	+€13,087	+€8,766	+€7,888

1.1.2.2.2. 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. It is reserved for individuals whose total income amounts to less than a cap defined according to, first, the number of people planning to occupy the housing unit as a primary residence and, second, the geographic area where the housing unit is located. The income to be taken into account is the sum of the reference tax incomes shown in the tax assessment for the prior year of the persons planning to occupy the housing unit. 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 six 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 scheme, which applies to loan offers issued 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, Aa 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, Aa 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 PTZ amount corresponds to a percentage of the cost of the transaction which varies by type of housing. For loan offers issued since January 1, 2018, the shares are set at 40% for homes to renovate and 10% for operations involving 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	€24,000
Couple with 2 children	€62,900	€51,000	€45,900	€40,800

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

1.1.2.3. 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%, with the notable exception of 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;
- a housing unit purchased by individuals is intended for use 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.

Article 30 of the 2017 Budget Act extended, subject to conditions, the eligible geographical scope up to 500 meters around the priority district for town policy priority districts covered by an inter-community contract and an agreement signed with the ANRU in the framework of the New National Urban Renewal Program (NNURP) starting from January 1, 2018.

Consequently, for home ownership operations in town policy priority districts whose building permit was filed after January 1, 2018, the buildings now must meet new geographic conditions assessed on the date on which the building permit is filed. Namely, the building must:

- be located within a town policy priority district covered by an inter-community contract; or
- be entirely located within 300 meters of the boundary of a town policy priority district; or
- on the condition that the town policy priority district is covered by a multi-year urban renewal agreement signed with the ANRU under the NNURP, be integrated within a building complex located entirely, on the same date, within 500 meters of the boundary of a town policy priority district and partially within 300 meters of the same boundary.

According to the administration, a "building complex" is understood as:

- a building or group of buildings authorized within the same building permit;
- a group of buildings authorized under multiple building permits awarded over an 18-month period, each of which contains the same planning document guaranteeing a whole.

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.

1.1.2.4. New housing market indicators

1.1.2.4.1. Market volume

A. Single-family homes in communities

The French market for Single-family homes in communities represented 10,489 orders in 2017 and 9,430 in 2018.

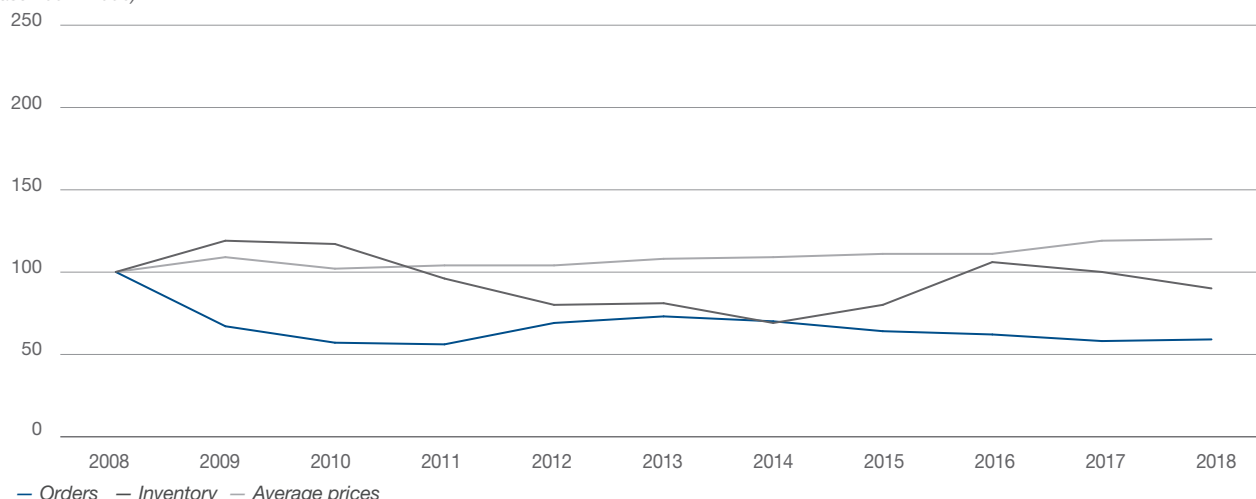
Changes in orders, inventory and average price for Single-family homes in communities over the past 10 years

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Orders	10,467	12,406	12,247	9,999	8,356	8,457	7,219	8,404	11,058	10,489	9,430
Inventory	15,029	9,997	8,550	8,442	10,356	10,977	10,583	9,595	9,390	8,675	8,823
Average price (in €)	228,235	247,759	233,734	238,371	238,418	246,687	248,561	252,568	254,057	270,826	273,359

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

CHANGE IN THE MARKET FOR SINGLE-FAMILY HOMES IN COMMUNITIES

(base 100 in 2008)



— Orders — Inventory — Average prices

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

INFORMATION ABOUT THE GROUP'S BUSINESS ACTIVITIES

The Kaufman & Broad group

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

Orders	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Île-de-France	1,697	1,817	2,051	1,346	1,103	1,244	1,194	1,484	2,268	1,744	1,951
Occitanie	1,668	1,628	1,252	1,233	1,100	1,066	986	1,105	1,484	1,487	1,007
West ⁽¹⁾	1,380	1,437	1,831	1,524	922	973	645	686	840	915	891
Provence-Alpes-Côte d'Azur	839	1,405	896	773	736	810	764	789	1,113	802	665
Rhône-Alpes ⁽²⁾	1,145	1,367	1,917	1,609	1,373	1,206	1,085	1,212	1,510	1,657	1,475

(1) Pays de la Loire and Brittany.

(2) Rhône-Alpes including Auvergne.

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 119,985 orders in 2017 and 118,534 in 2018.

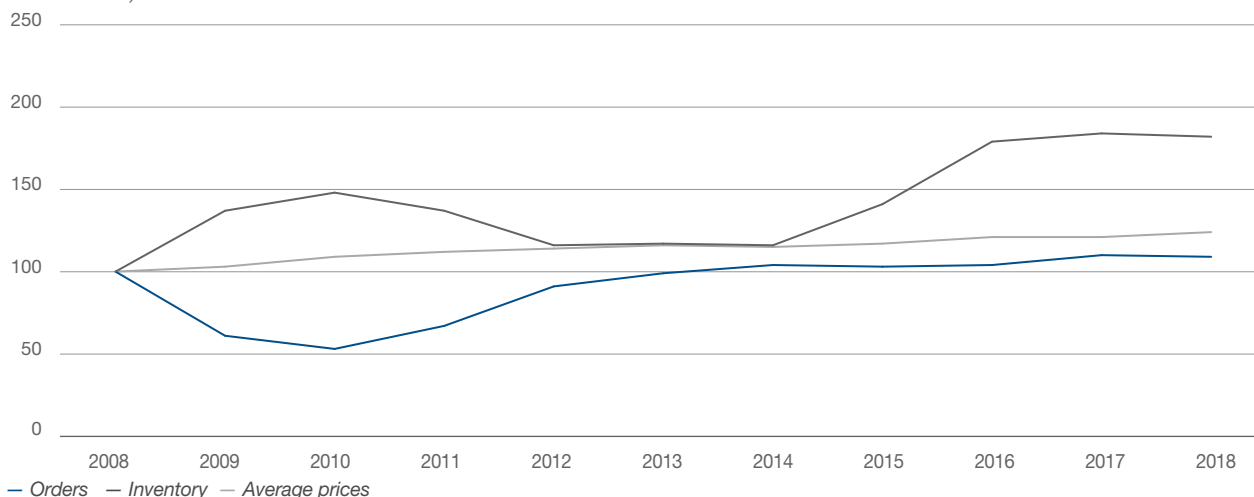
Changes in orders, inventory and average price per sq.m for apartments over the past 10 years

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Orders	65,258	89,638	96,585	89,090	75,856	76,655	75,916	91,825	116,584	119,985	118,534
Inventory	90,597	55,524	47,850	60,731	82,444	89,841	93,852	93,233	94,664	100,052	99,197
Average price (in €/sq.m)	3,315	3,429	3,624	3,703	3,782	3,855	3,817	3,886	4,009	3,995	4,125

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

CHANGE IN THE MARKET FOR APARTMENTS

(base 100 in 2008)



— Orders — Inventory — Average prices

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

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

Orders	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Île-de-France	11,994	16,152	18,251	17,534	19,381	21,173	20,397	23,214	31,469	33,477	36,844
Occitanie	8,878	10,982	11,426	11,365	8,529	8,554	8,581	10,484	12,490	14,112	14,436
West ⁽¹⁾	7,606	10,366	12,118	10,017	7,367	7,034	6,801	9,331	11,749	12,533	11,518
Provence-Alpes-Côte d'Azur	8,219	11,995	13,395	10,834	9,767	9,038	9,558	10,992	13,162	12,891	12,570
Rhône-Alpes ⁽²⁾	11,694	16,820	18,801	16,723	13,188	11,744	12,417	14,984	18,152	17,888	16,141

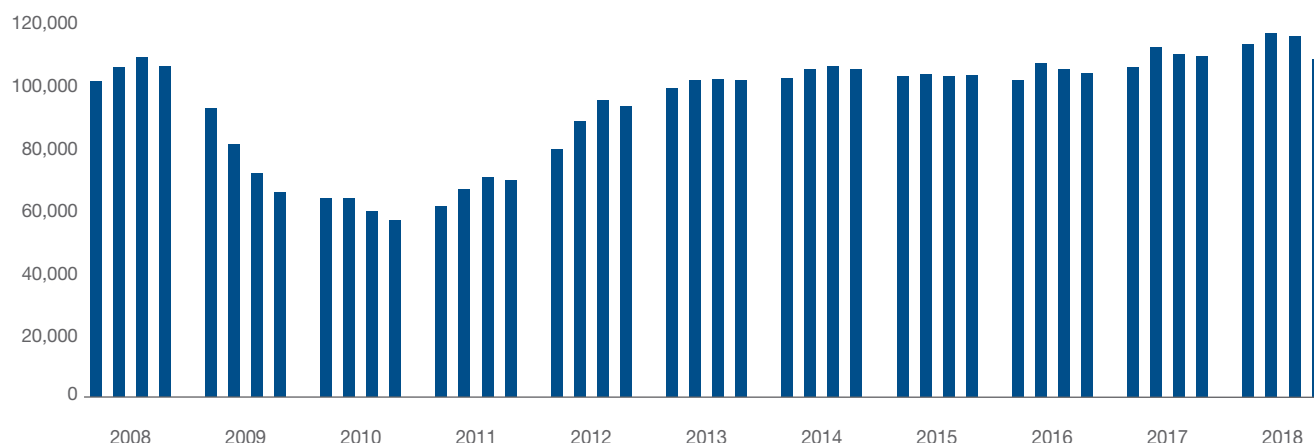
(1) Pays de la Loire and Brittany.

(2) Rhône-Alpes including Auvergne.

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

1.1.2.4.2. Inventory of housing units available for sale in France

(in 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 December 2018 (-0.7%) at 108,020 homes, compared to 108,727 homes at the end of December 2017. During 2018, 127,964 homes were ordered, i.e. a decrease of 1.9% compared to 2017. Meanwhile, the units put up for sale slipped 3.9% between 2017 and 2018. Finally,

cancellations remained at high levels, up 3.2 percentage points compared to the fourth quarter of 2017 to 27.3%.

At November 30, 2018, the group had 50 completed housing units remaining to be ordered which represents less than 1% of its commercial offer compared to 41 housing units for the same period in 2017.

1.1.2.5. 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	2018	2017	2016
Nexity ^(a)	19,609	18,351	15,893
Bouygues Immobilier ^(b)	13,449	15,199	13,866
Cogedim ^(c)	11,782	11,189	10,011
Kaufman & Broad	9,122	9,027	8,017
Vinci ^(d)	6,333	6,630	5,485
Icade ^(e)	4,938	5,776	5,665
Les Nouveaux Constructeurs ^(f)	3,603	3,369	2,910

Sources:

(a) Nexity: Press release of February 19, 2019.

(b) Bouygues Immobilier: "The Condensed version" of the 2018 Registration Document, February 21, 2019.

(c) Cogedim: Press release of February 26, 2019 on 2018 results.

(d) Vinci: 2018 annual report.

(e) Icade: 2018 annual results dated February 18, 2019.

(f) Les Nouveaux Constructeurs: Press release of January 31, 2019.

1.1.2.6. 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	2018	2017
Grouped homes		
IDF	16.1%	8.6%
Grand Est	0.0%	0.0%
Haut de France	0.0%	0.0%
Normandy	1.6%	0.0%
Brittany	2.9%	2.8%
Pays de la Loire	2.6%	0.0%
Nouvelle Aquitaine	6.3%	4.2%
Auvergne-Rhône-Alpes	5.3%	0.1%
Occitanie	1.7%	4.8%
PACA	2.7%	4.4%
TOTAL GROUPED HOMES, FRANCE	5.4%	3.0%
Apartments ⁽¹⁾		
IDF	9.2%	8.9%
Grand Est	0.6%	2.7%
Haut de France	3.4%	4.9%
Normandy	6.5%	9.7%
Brittany	6.0%	4.7%
Pays de la Loire	6.9%	5.5%
Nouvelle Aquitaine	9.2%	9.8%
Auvergne-Rhône-Alpes	5.6%	4.7%
Occitanie	11.0%	11.5%
PACA	7.2%	7.7%
TOTAL APARTMENTS, FRANCE	7.3%	7.2%
TOTAL HOUSING UNITS, FRANCE	7.1%	6.9%

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 hotel residences).

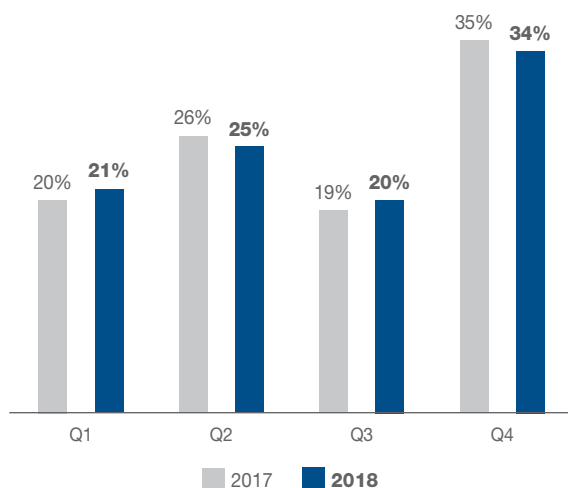
1.1.2.7. Seasonality and the business cycle

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").

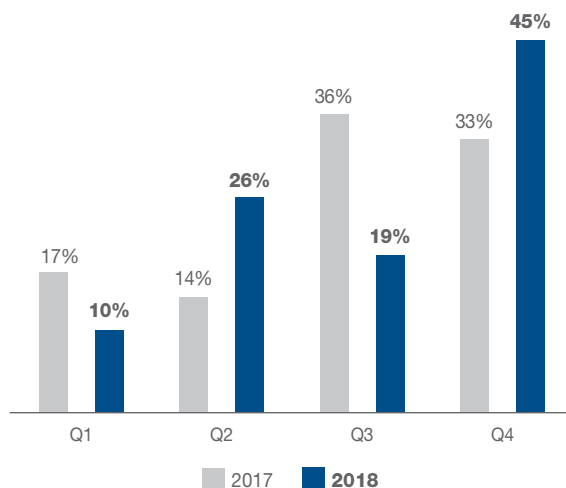
The following shows the group's sales activity, reflected in orders, during the last two fiscal years:

Orders by quarter

MULTI-OCCUPANCY HOUSING



SINGLE-FAMILY HOMES IN COMMUNITIES



See analysis of cycles and seasonality of orders in Section 2.1.3.1.1.1. "Housing" at the "Cycles and seasonality of housing orders by product type (in volume)" paragraph.

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 Commercial 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 Commercial Property business line comprises the Business and Logistics Property 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, Val de Loire), Brittany (in Rennes), Normandy (in Caen, Le Havre and Rouen), North (in Lille and Reims), East (in Strasbourg), Rhône-Alpes (in Lyon and Dijon), Savoie (in Annecy and Grenoble), Côte d'Azur (in Nice), Provence (in Toulon), Mediterranean (in Marseille), Languedoc-Roussillon (in Montpellier and Perpignan), Midi-Pyrénées (in Toulouse), Serge Mas Promotion (in Toulouse), Pyrénées-Atlantiques (in Bayonne) and Gironde (in Bordeaux and La Rochelle). Furthermore, in order to strengthen its territorial network, Kaufman & Broad has opened local offices in smaller sized urban areas (Dijon, La Rochelle, Perpignan). 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. For the local offices, all or some of these departments are shared among the branches. The agency divisions 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, Urban Projects, Marketing/Digital and Communication, Human Resources, Architecture 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.

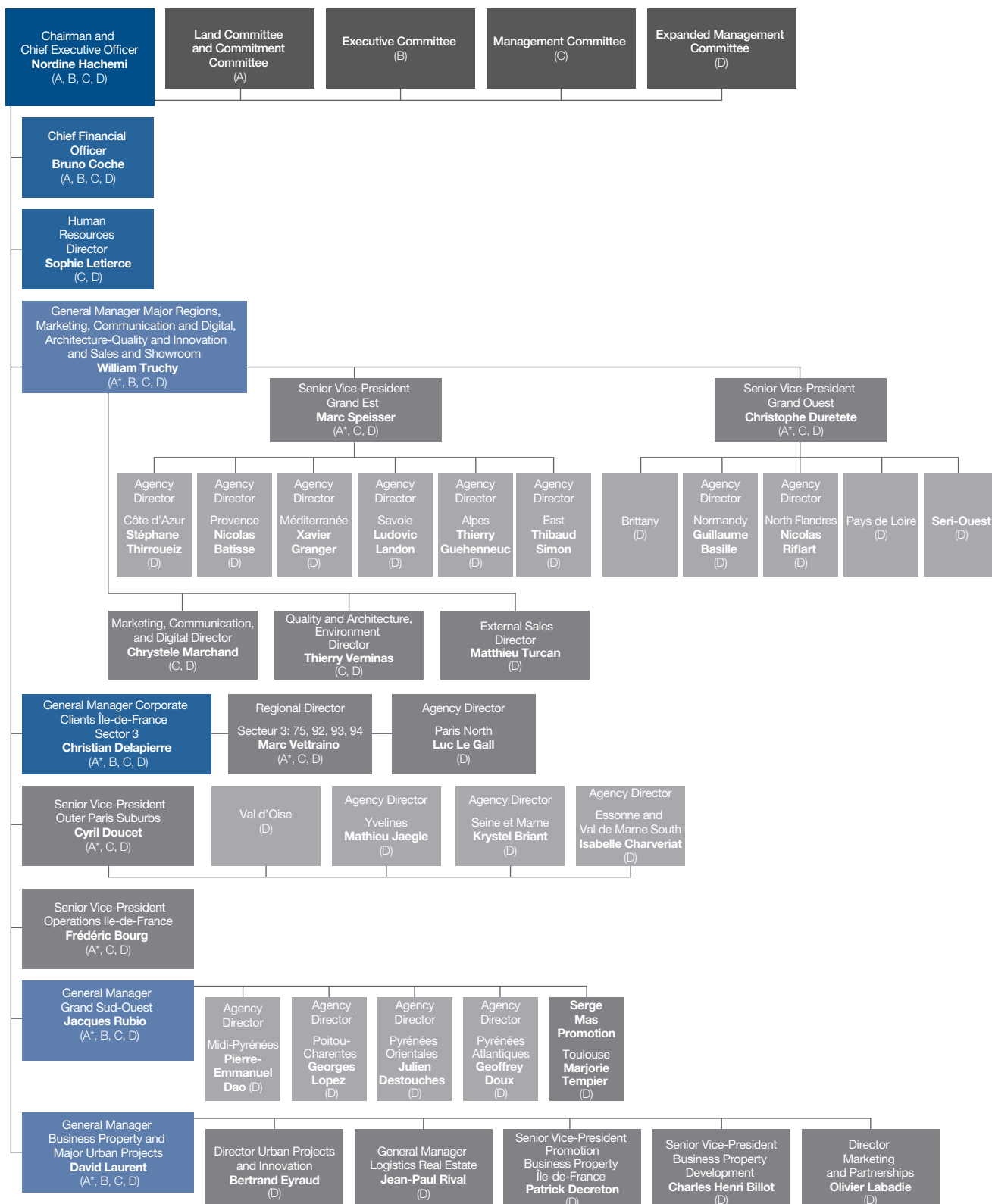
With the exception of corporate and IT costs, which are all re-charged to the subsidiaries using a distribution matrix fixed each year in the budget based on the business volume and the office space used by each subsidiary, the cost of the services listed above is divided among companies of the group 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 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, Kaufman & Broad Champagne, Kaufman & Broad Bourgogne-Franche Comté, Kaufman & Broad Europe, Kaufman & Broad Financement, Kaufman & Broad Immo, Kaufman & Broad Grands Projets, Kaufman & Broad Innovation et Technologies, Kaufman & Broad Marketing et Ventes; Kaufman & Broad Investissements, KETB Partenaires, Kapital Partenaires Promotion and Cosy Diem – 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.

INFORMATION ABOUT THE GROUP'S BUSINESS ACTIVITIES

The Kaufman & Broad group

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 2018, Île-de-France accounted for 40% of the group's revenues from housing with the remaining 60% coming from the Regions.

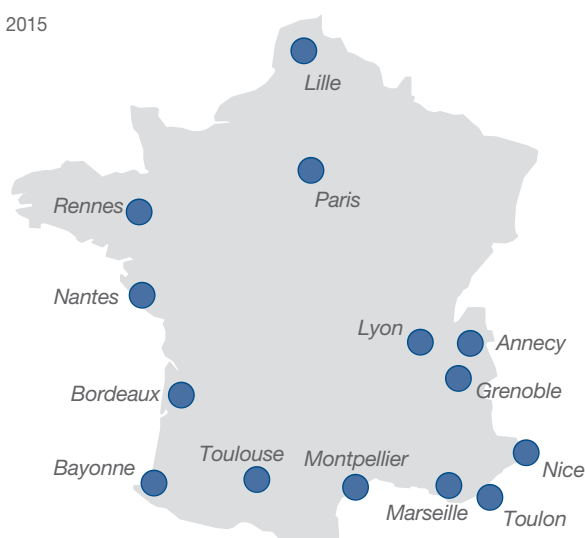
Kaufman & Broad intends to continue to develop its operations in the major economic and demographic regions where it still sees strong

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

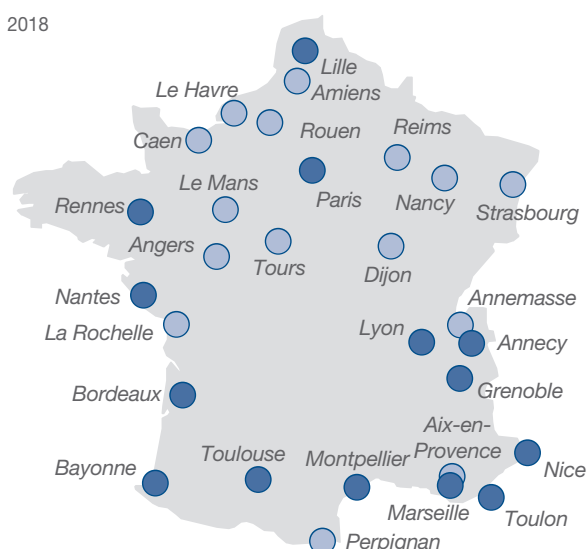
Kaufman & Broad thus considers that the positioning of its various programs across the country is consistent with its identified customer base. Accordingly, Kaufman & Broad has set up operations in 15 new cities since 2015: Amiens, Angers, Annemasse, Aix en Provence, Caen, Dijon, Le Havre, Le Mans, La Rochelle, Nancy, Perpignan, Reims, Rouen, Strasbourg and Tours.

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

2015



2018



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 and 2011 real estate crises 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)	
	2018	2017	2018	2017
Investor ⁽¹⁾	31%	43%	31%	42%
Block	50%	37%	41%	32%
First-time homebuyer	13%	14%	18%	17%
Second-time homebuyer	6%	6%	10%	9%
TOTAL GROUP	100%	100%	100%	100%
(1) Including Pinel	25%	32%	26%	33%

In a context of slowing economic growth in France, but where there are sound fundamentals to support the demand for new housing, Kaufman & Broad's strategy is to continue strengthening its activities focusing on first-time homebuyers backed by the Zero-Interest Plus Loan incentive, while continuing to develop products for investors in light of the four-year extension of the Pinel scheme by designing programs that meet the expectations and financial capacities of these stakeholders. 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 2018, a substantial part of the group's orders were for block sales (up 50% in number and 41% in value compared with 2017), and a substantial part was again from investors, which represented more than 30% of its order total, in terms of both number and value. Orders for rental investment made up 31% of total sales (26% of which were under the Pinel incentive scheme), compared with 42% in 2017. First- and second-time homebuyers remained stable at 28% of total sales, compared with 26% in 2017.

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.

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Average price (in €, incl. VAT)	307,400	335,600	294,600	301,700	252,500	313,100	381,400	367,000	325,000	365,500	375,200
Average area (sq.m)	110	113	96	100	80	90	98	88	87	94	94

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

(in €, incl. VAT)	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Île-de-France	241,900	208,500	226,900	266,900	238,800	207,800	205,800	256,300	225,900	235,800	256,200
Regions	188,000	197,300	197,100	201,420	212,000	198,500	183,700	197,500	194,000	205,800	227,300

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 2018, individual investors buying through prescribers, specialized networks, or its sales offices generated 31% of its orders in number compared to 43% in 2017. According to the individual investors' declarations of intent, the group estimates that 25% of its orders in number were made under the Pinel incentive, against 32% in 2017.

Kaufman & Broad considers that first-time buyers of primary residences continue to represent strong business potential, even though orders from first-time buyers in 2018 accounted for 13% of group orders in number and 18% 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 6% in 2018 as in 2017.

In 2017, the sale price (including VAT) of the group's single-family homes ranged from €180,000 to €644,000. The average price was €375,200 in Île-de-France and €287,900 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 2018, the selling price (including VAT) of multi-occupancy housing units ranged from €2,500 to €10,800/sq.m in Île-de-France and fluctuated between €1,600 and €17,700/sq.m in the Regions. The average selling price (including VAT) of multi-occupancy housing units (including parking) was close to €4,600/sq.m in Île-de-France and €4,200/sq.m in the Regions.

(See Section 2.1.3. "Tracking of indicators", chart on characteristics of Single-family homes in communities and multi-occupancy housing.)

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 offer consists of four classes of products: (i) apartments, (ii) Single-family homes in communities, (iii) managed housing (corporate, tourist, student and serviced accommodations) and (iv) Commercial 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;
- 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:
 - Zero-Interest Plus 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 more than 50 years, 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 space optimization.

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 line, 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, Amiens, Dijon, Angers, Lyon, Grenoble, Annecy, Annemasse, Nice, Cannes, Toulon, Saint-Raphaël, Toulouse, Bordeaux, La Rochelle, Bayonne, Montpellier, Perpignan, Nantes, Nancy, Rennes, Le Havre, Rouen, Le Mans, Caen, Lille, Reims, Rouen 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 views toward the outside. 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 €3,500/sq.m to €5,500/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 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 co-living, youth hostels, etc.;
- senior housing: 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.

Furthermore, to better address the new needs and expectations of a growing aging population (by 2060 nearly one-third of the French population will be over age 60 and there will be more than 5 million people over age 85), namely that seniors want to grow old at home, where they have always lived, for as long as possible. To meet this demand, Kaufman & Broad launched an innovative concept in 2017: "Cosy Diem". The 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. Commercial

In the past, Kaufman & Broad had a large Business Property Division, 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 Commercial 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 Commercial 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 Commercial 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 prime segment of the Business 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 Business 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 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, neighborhood and uses of each one. The group makes its know-how and expertise in Business 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. Urban Projects and Innovation

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 an Urban Projects and Innovation 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 Urban Projects and Innovation 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.

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 uses and expectations of consumers.

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. Since 2017, Boutiks have been opened in 20 large cities in which the group operates, such as Lyon and Nantes (with an integrated showroom), Tours, Angers, Rennes, Nice and Aix-en-Provence, as well as locations in Île-de-France (Rueil-Malmaison, Athis-Mons and so on).

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 rates. These channels are:

Direct in-house sale

At November 30, 2018, these teams consisted of 171 people, including 87 sales representatives with an average of 7.6 years with the group. The majority of the sales personnel earn a fixed salary plus sales commission. Kaufman & Broad sees its sales team as highly effective, professional and efficient. It has supervisory personnel and dedicated

Sales through intermediaries

Kaufman & Broad generally relies on:

- independent wealth management advisors;
- banking networks;
- marketing networks;
- sales platforms which it tasks with distribution of the products developed by the brand to customers primarily comprising 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 dual 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 direct to digital tools dedicated to client support. In 2016, the main B-to-C 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 and virtual apartment or home visits 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 kbpatrioine.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, mon-espace.kaufmanbroad.fr, supports the entire customer experience, from order to delivery.

This platform, which was overhauled in 2018, shapes the relationship between the brand and its 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 selling phase 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 work advances 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. It formed a panel of potential buyers that can be polled throughout the year is coordinated 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. Commercial

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 €332.2 million in 2018, €221.3 million in 2017 and €243.6 million in 2016.

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 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 archaeological 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 the work load of these courts);
- 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, 2018, the average pre-sale rate of the programs under which the land had been purchased during this period was 60% compared to 58% for the same period in 2017.

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 it is below 50%;
- draft of the notarized deed;
- progress report on the request for tender documents (DCE).

1.1.9. Land development and monitoring of 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 on-site 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 Commercial Property

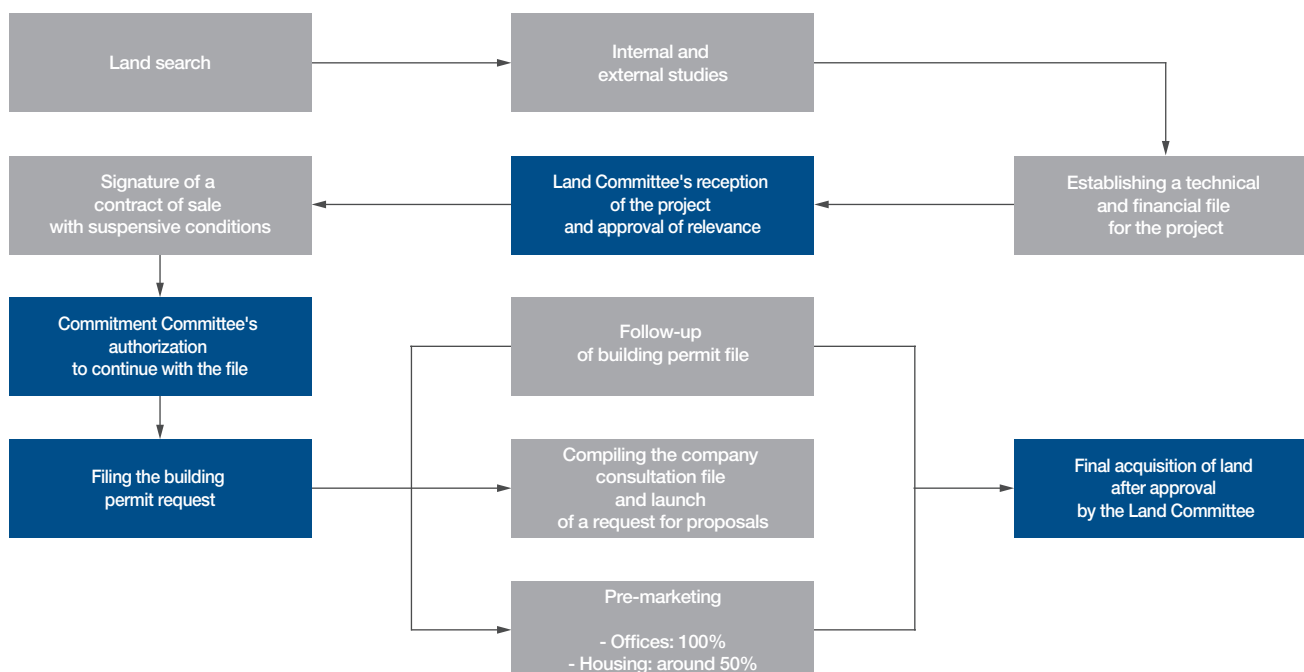
As a general rule, construction of multi-occupancy housing does not usually begin until a pre-sale rate of approximately 50% of the total development project value is attained.

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

CENTRALIZED RISK ANALYSIS AND CONTROL

The diagram below summarizes the business model described above :



1.1.9.3. Monitoring operating budgets

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

regional management controller and are approved by the 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 Corporate Investment Bank (CACIB) 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.

In 2008, the group implemented a national purchasing policy for finishing work to streamline the benefits delivered to customers and optimize the related costs (see Section 1.7.4.4. "Business ethics and relations with subcontractors", 1.7.4.4.2. "Purchasing and outsourcing").

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 Commercial Property programs are carried out by general contractors having the expert knowledge for dealing with complex programs and meeting the required deadlines.

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. 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 2018, the Kaufman & Broad brand enjoys the top score for overall opinion across the entire country. Such a 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 Annecy, Bayonne, Bordeaux, Caen, Dijon, La Rochelle, Le Havre, Lille, Lyon, Marseille, Montpellier, Nantes, Neuilly-sur-Seine, Nice, Perpignan, Rennes, Rouen, Strasbourg, Toulon and Toulouse. These offices are occupied under commercial leases, usually for a term of nine years. The Boutiks concept was developed to foster close connections with our customers through modern selling spaces set up in 20 large cities: Aix-en-Provence, Annemasse, Athis-Mons, Bordeaux,

Dijon, Lyon, Nice, Toulouse, Tours, Lille and so on. A joint showroom shared by the Marseille, Nice and Toulon agencies was opened in Fréjus. For the companies that were part of the group on November 30, 2018, rents and rental charges totaled €6.9 million (excluding VAT), against €6.8 million (excluding VAT) in 2017 (see Section 4.1.5. "Notes to the financial statements" in Note 5.5. "Commitments relating to capital expenditures, purchases and rentals", paragraph "Commitments for operating leases").

1.2. Risk factors

The risks and uncertainties to which the group is exposed that could have a material adverse effect on its operations, results, financial position or outlook are presented below. The occurrence of all or some of these risk factors could, in particular, result in significant differences with the forward-looking statements and other financial data included in the documents that the group files 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 that are not currently believed to potentially have a material negative impact on its operations, results or financial position. 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 its operations or 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 relating to the economic and financial environment

1.2.1.1. Risks relating to the economic environment

The market for new housing in France in which the group operates remains heavily dependent on the general economic environment. Changes in key macroeconomic indicators, such as economic growth, interest rates and, in the case of new housing, the rate of unemployment and consumer confidence (described in Section 1.1.2. "Main characteristics of the business") are some of the variables that may impact the business of property development.

At the date of this Registration Document, growth is stabilizing in France, having peaked in 2017 at +2.3%, and is expected to converge towards the long-term annual average of +1.3% ⁽¹⁾ over the next four years.

According to INSEE, Gross Domestic Product (GDP) increased by 1.6% in 2018 in volume terms, having grown by 2.3% in 2017.

Household consumption expenditure on goods fell a little in 2018 in volume terms (-1.5%), in contrast with the slight uptrend observed in 2017 (+0.7%). Food purchases remained stable in 2018 (+0.5%). Purchases of durable goods continued to grow (+1.7% in 2018, compared with 2.9% in 2017).

However, for the short term there are still some elements of uncertainty in France that could slow GDP growth down in 2019:

- demonstrations such as those that have taken place in France since November 2018, which could take a toll on consumer confidence;
- commodity prices that are proving highly volatile in both directions;
- international trade tensions (USA and China), which could revive protectionist tendencies in the world's major economies;
- political tensions in Europe as regards Brexit and in member state budgets (primarily Italy's).

Some positive factors will continue to support France's economic growth in 2019:

- growth in domestic demand, with consumer spending supported by higher purchasing power;
- the rate of unemployment, which is expected to fall below the 9% mark in 2019;
- inflation, which is under control, combined with low interest rates.

Although global economic growth projections for the 2018-2021 period are on the decline, the Banque de France believes that the country's economic prospects remain bright. France is set to benefit from Europe's resilient economy thanks to stronger demand from its partners in the euro zone, which is expected to bounce back strongly in 2019 following a "rough patch" in 2018 and should remain dynamic in the medium term. Domestic demand, meanwhile, is set to increase thanks to lower Social Security contributions (1.5% increase in purchasing power in 2019) as well as solid economic fundamentals (inflation under control and low interest rates).

The major trends in the French market for the coming year 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 a purchase at the time of purchase, but also on their confidence in their ability to meet their future obligations, particularly as regards the financing terms arranged for the purchase. 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 a household's purchasing power than on its ability to borrow. For companies, the ability to obtain financing and any future profits that may be generated from exploiting the property, if applicable, are also important factors when choosing to acquire a property.

Demand for the group's properties depends directly on the ability and willingness of financial institutions to extend loans for amounts that are sufficient to enable potential buyers to finance the acquisition of such properties. 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 demand for property for sale. The group's operating income could be significantly impacted should demand decline due, among other things, to difficulties faced by potential homebuyers in financing their property purchases.

For several years now, the group has benefited from a favorable environment with low mortgage rates for its housing activity and relatively long maturities. Mortgage rates are unlikely to decrease further considering the historically low levels recently recorded in a market environment where competition is already fierce between banks operating in real estate financing. An increase in interest rates may thus result in higher mortgage rates.

Furthermore, the sale price of real estate depends on the rate of return expected by investors, which in turn depends on variations in long-term interest rates. An increase in long-term interest rates may result in a higher rate of return required by investors and thus downward pressure on sale prices; such changes may lead the group to abandon or reschedule some business property 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 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.).

(1) OECD March 2019.

Any factor with a negative effect on the real estate market may have a material adverse effect on the group's operations. 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 make it harder for the group to find homebuyers for the portion of the real estate program that was not pre-sold before the land was purchased and the construction work launched. It is also possible that the group may not be able to pass construction cost increases on to sale prices, either because of an economic recession or because the prices of housing units are set several months before delivery under the terms of sale-before-completion contracts. In addition, 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 in real estate prices in France. Lastly, lower demand or longer construction deadlines could postpone the recognition of profits on real estate programs because of the revenue recognition method applied by the Company (see Section 2.2.2. "Sources of net income", paragraph "Revenue"). The group's inability to anticipate or adapt to changes in these factors might materially affect its operations, results, financial position or outlook.

Furthermore, the costs relating to the group's real estate programs vary depending on the general level of demand for suppliers and subcontractors in the French real estate market. When economic conditions improve, demand for subcontractors increases, which may result in an increase in the prices of their services that will then be reflected in the costs of construction for developers. This rise in prices is usually observed 12 to 18 months after the first signs that economic conditions are improving. Conversely, if economic conditions deteriorate and demand slows, prices fall accordingly, usually also within a period of 12 to 18 months.

In these circumstances, the group has, for several years, been diversifying its activities to include products to which it can apply its housing development expertise. These include serviced housing (tourist, student and corporate accommodation and non-assisted living facilities for older adults) and commercial premises, which could reduce its exposure to the cyclical nature of new housing in France.

Such diversification could, however, increase its rate of order cancellation, change its pace of revenue recognition or affect its gross margin. For example, applying the percentage-of-completion method for revenue recognition to Business Property programs results in slower growth in income generation compared to what can be seen in the Housing business. There are two reasons for this:

- first, the pre-sales rate: the group does not usually commit itself to Business Property programs unless the program has been pre-sold in full (see Section 1.1.6. "Sales method"), whereas for Housing programs the group usually becomes committed after a pre-sale rate of 50% has been reached, compared with 100% for Business Property;
- second, the cost of land is proportionately greater for Business 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 revenues and income in Business Property programs occurs earlier than in the Housing business. This product mix effect may create distortions when analyzing changes in business activity from one year to the next. In addition, gross margins are generally lower for Business Property programs than for Housing. As a result, over a given period, the group's gross margin may be impacted by the Business Property-Housing product mix but, despite this, the impact of this mix on the group's overall profitability remains limited because of the Business Property segment's lower cost structure. Lastly, orders for units of managed accommodation other than block sales are more likely to be canceled than orders in the Housing business. This is because investor behavior is more volatile depending on the returns being offered. Furthermore, in cases where specialist networks of third-party sales agents are used to draw in new investors, the sales methods used by such agents may not generate the same level of customer loyalty as the group's own methods.

The group's business activities are somewhat seasonal (see Section 1.1.2.6. "Seasonality and the business cycle"). Business (in terms of number of orders, land purchases and revenue) is generally stronger in the second and fourth quarters, particularly in the Business Property segment which is highly dependent on activity in the commercial sector. This generally leads to fluctuating revenues during these periods, which could have a material impact on results. Thus, unpredictable events in the last months of a given year may have a material impact on the group's business and results.

The main features of the macroeconomic environment in which the group operated in 2018 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 2019 are presented in Section 2.1.4. "Outlook".

1.2.1.2. Risks relating to joint development programs

Kaufman & Broad conducts certain real estate 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, one or more of the group's partners 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 property programs concerned. If the group believes that a partner's financial position has weakened, a provision for risks is recorded in the Company's financial statements. Accordingly, the total risk provision was €7.8 million in the group's Consolidated Financial Statements at November 30, 2018, compared with €8.2 million at the end of 2017 (see Note 4.1.5. "Notes to the financial statements" and Note 8.1. "Provisions for liabilities and charges", paragraph "Provisions for risks relating to affiliates"). However, such provisions may not be sufficient to cover a default by any of its partners.

1.2.1.3. Risks relating to bank guarantees for sales before completion

The group uses an external guarantee system for its real estate programs in order to provide clients with a Performance Bond as 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"). 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 increase the cost of such guarantees incurred by the group and/or adversely impact its ability to obtain new bank guarantees in the future, 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. Difficulties in obtaining such external guarantees could limit its ability to sell the building before completion in such a protected sector as housing and could have a material adverse effect on the group's business and results. Lastly, the group may be exposed to counterparty risk if a credit institution having granted such bank guarantees fails.

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. Financial difficulties or even the insolvency of certain of these companies or suppliers (should they go into court-appointed receivership or liquidation) could have a material adverse impact on the group's business and, in particular, could slow construction or increase costs. They could also have a negative impact on the proper discharge of guarantees (see Section 1.3.3. "Insurance"). The group may also suffer adverse consequences, particularly in terms of its image, if its suppliers or subcontractors breach or violate an obligation.

The same risk exists concerning its partners in the case of joint development programs.

1.2.1.5. Liquidity risks

The Kaufman & Broad group is not assigned a public financial rating by rating agencies. The group's liquidity risk management is described in Section 1.3.2.1.5. "Liquidity risk management".

1.2.1.5.1. Risks relating 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 had syndicated loans consisting of term loans in the form of 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 €100 million (the "RCF"), i.e. a total maximum amount of approximately €300 million.

On May 18, 2017, Kaufman & Broad issued its first "Euro PP" bond for €150 million (the "Bond Issue") under a private placement made with institutional investors in Europe. 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, including the entire repayment of the Senior (A) line for €50 million and €50 million of the Senior (B) line, thus bringing its residual amount to €100 million and providing it with new financial resources to support its growth. On November 30, 2018, the group made an early repayment of €50 million of Tranche B of the 2016 Senior Facilities Agreement, bringing the residual amount to €50 million, on top of which it has the undrawn RCF of €100 million, bringing the total residual amount of the 2016 Senior Facilities Agreement to €150 million.

At November 30, 2018 the group's cash and cash equivalents stood at €253.4 million compared with €221.1 million at the end of 2017, plus the undrawn revolving facility of €100 million, taking Kaufman & Broad's financing capacity to €353.4 million at November 30, 2018. Lastly, the group's debt totaled €203.4 million, bringing its net cash position to -€50.0 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 paying 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, either because it increases its exposure to unfavorable economic conditions or because it prevents it from taking advantage of any improvement in these conditions;
- affecting its ability to seize business opportunities;
- limiting its ability to obtain additional financing, beyond any commitments already made, in order to cover its Working Capital Requirement, investments, potential acquisitions and/or refinancing needs;
- adversely affecting the terms of loans negotiated with its creditors;
- limiting its ability to plan its expansion with some flexibility; and
- affecting its competitive positioning, where the covenants in its facilities agreements could prevent it from adapting to changes in the market on the same conditions as its competitors.

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The group's ability to meet its debt obligations will depend on its future performance, which itself depends on changes that could occur in economic conditions in general, in the group's competitive environment and in 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 in its subsidiaries. Thus, Kaufman & Broad SA depends on the ability of its operating subsidiaries to generate the cash flows needed to repay loans, through either the payment of dividends or the provision of 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.

At November 30, 2018, the group's main debt facilities were as follows:

(in € thousands)	Debt capacity	Utilization at November 30, 2018	Maturity	Type	Rate
Senior Facilities Agreement April 4, 2016					
B facility	50,000	50,000	Bullet repayment in April 2021	Floating	E ⁽¹⁾ + 275 to 300 bps ⁽³⁾
RCF ⁽²⁾	100,000	-	Bullet repayment in April 2021	Floating	E ⁽¹⁾ + 250 to 275 bps ⁽³⁾
Bond Issue May 18, 2017					
7-year bond issue	50,000	50,000	May 2024	Fixed	2.88%
8-year bond issue	100,000	100,000	May 2025	Fixed	3.20%
TOTAL	300,000	200,000	-	-	-

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

(2) Revolving Credit Facility.

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

The table below shows the group's contractual obligations regarding the payment of interest, the repayment of financial debt excluding derivatives, and derivatives with positive and negative fair values.

Floating rate interest payments were calculated based on the last known interest rates prior to November 30, 2018.

(in € thousands)	Book value at November 30, 2018										Book value at November 30, 2017	
	Less than one year		1 to 2 years		2 to 3 years		3 to 5 years		5+ years			
	Interest	Repay- ments	Interest	Repay- ments	Interest	Repay- ments	Interest	Repay- ments	Interest	Repay- ments		Total
Borrowings and financial liabilities												
Syndicated credit line ⁽¹⁾	1,190		1,190		408	50,000					50,000	100,000
Credit facilities and other borrowings	3,926		3,926		3,937		7,852		4,331	150,000	150,000	150,000
Other borrowings	2,443	3,646	1	37							3,683	4,542
TOTAL	7,559	3,646	5,117	37	4,344	50,000	7,852		4,331	150,000	203,683	254,542

(1) This breakdown does not include the repayment made on January 30, 2019 and described in "Events after the closing date" (see Note 2.4. in the notes to the group's Consolidated Financial Statements for the year ended November 30, 2018 which can be found in Chapter 4.1 "Consolidated Financial Statements at November 30, 2018").

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

The group's debt facilities presented in the table above refer to 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 the Bond Issue includes 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 that will depend on the group's leverage ratio, as follows:

Leverage ratio ⁽¹⁾	RCF ⁽²⁾	Tranche B
> 1.0	Margin of 2.75% per year	Margin of 3.00% per year
≤ 1.0	Margin of 2.50% per year	Margin of 2.75% per year

(1) * i.e., 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 net income of the consolidated group before income tax and financial 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 expenses (including any increases or decreases in amortization, depreciation and provisions, fair-value adjustments, and income and expenses relating to the non-financial compensation of employees); and capital gains or losses from the sale of assets, less income from minority interests.

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

- (c) adjusted shareholders' equity = consolidated shareholders' equity at November 30, 2015, plus consolidated income aggregated from December 1, 2015 to the end of the relevant quarter, minus 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.

See Section 4.1.5. "Notes to the financial statements" in Note 6.1.2. "Gross financial debt".

On January 30, 2019, Kaufman & Broad signed a Syndicated Loan Agreement for €250 million with an initial maturity of 5 years. This loan replaces the existing Senior Credit Facilities arranged on April 4, 2016 corresponding, respectively, to a €50 million loan under Tranche B and a €100 million revolving credit facility (RCF) that remains undrawn to date. This corporate credit line will enable the Company to extend its debt maturity and lower its cost of debt, while also allowing it more leeway in how it uses its resources depending on any needs and opportunities that may arise, over and above its available cash. In a first for the property development industry, this credit line includes a positive incentive mechanism tied to various CSR indicators, reflecting the Company's commitment to the environment. It was extended by first-rate French and European credit institutions (Arkea Banque Entreprises et Institutionnels, Banque Espirito Santo et de La Venetie (BESV), Banco Sabadell, Banque Européenne du Crédit Mutuel (BECM), La Banque Postale, BNP Paribas, Crédit Agricole Corporate and Investment Bank (CACIB), Société Centrale pour le Financement de l'Immobilier (SOCFIM), Société Générale).

1.2.1.5.2. Risks relating 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 operations (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 equity 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 to market conditions or seize business opportunities that may arise, particularly to make payments or investments or to create certain liens or sureties. These restrictions could also affect the group's capacity to finance its operating cycle and investments, to make strategic acquisitions, investments or alliances, to restructure its organization or to finance its capital requirements. These restrictions could thus have a significant adverse effect on the group's ability to generate sufficient revenues 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 a portion of the credit lines drawn, starting from the end of the fiscal year ended November 30, 2017.

Following the repayment made on January 30, 2019 of the entire amount due under the 2016 Senior Credit Facilities Agreement, this clause has become null and void with respect to the excess cash recorded in the financial statements for the year ended November 30, 2018 and does not feature in the documentation for the 2019 Syndicated Loan Agreement.

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Furthermore, the 2016 Senior Facilities Agreement states that, for each financial half-year period starting from November 30, 2016 and ending when the agreement expires on April 29, 2021, the group is required to observe two ratios, calculated on a consolidated basis, with levels redefined as follows:

Ratio at the end of each six-month period (syndicated credit lines)	Threshold
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) i.e., 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 net income of the consolidated group before income tax and financial 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 expenses (including any increases or decreases in amortization, depreciation and provisions, fair-value adjustments, and income and expenses relating to the non-financial compensation of employees); and capital gains or losses from the sale of assets, less income from minority interests.

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

- (c) adjusted shareholders' equity = consolidated shareholders' equity at November 30, 2015, plus consolidated income aggregated from December 1, 2015 to the end of the relevant quarter, minus 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 gave joint and several guarantees (subject to the usual limitations protecting their corporate interest) in respect of loans taken out by the Company under the 2016 Senior Facilities Agreement. Having repaid all the amounts due under the 2016 Senior Facilities Agreement on January 30, 2019, the group is no longer under the obligation to observe the two financial ratios described above.

Lastly, pursuant to the terms of the Bond Issue, for each financial six-month period starting from November 30, 2017 and ending when the Bond Issue expires, the group is required to comply with the following two ratios, calculated on a consolidated basis, with levels defined as follows:

Ratio at the end of each six-month period (Bond Issue)	Threshold at date
Leverage ratio ⁽¹⁾	≤ 3.0
Debt/equity ratio ⁽²⁾	≤ 2.5

(1) i.e., 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 net income of the consolidated group before income tax and financial 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 expenses (including any increases or decreases in amortization, depreciation and provisions, fair-value adjustments, and income and expenses relating to the non-financial compensation of employees); and capital gains or losses from the sale of assets, less income from minority interests.

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

- (c) adjusted shareholders' equity = consolidated shareholders' equity at Wednesday, November 30, 2016, plus consolidated income aggregated from December 1, 2016 to the end of the relevant quarter, minus 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 group's flexibility in conducting 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 performances or profitability. However, failure to comply with such covenants could constitute default under the 2016 Senior Facilities Agreement and/or Bond Issue, which could allow the lenders

and/or holders of the Bond Issue to call for accelerated repayment of all amounts borrowed, interest and fees under the terms of these contracts, trigger any associated guarantees, seize all group assets and/or refrain from providing the group with any further financing in the future. In the event of a decline in the group's operating performances, 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 stipulated that, in the event of a change of control of Kaufman & Broad SA, each lender would 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 arrangement), in one or more linked 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 the partial sale of its equity interest by Financière Gaillon 8 or any other shareholder approved by the majority of the lenders) acquired (directly or indirectly) more than 33.33% of the voting rights in Kaufman & Broad, and if the mandatory public offering resulting from the exceeding of this 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 successful. Following the full repayment on January 30, 2019 of the amounts due under the 2016 Senior Facilities Agreement, this change of control clause as described has become null and void.

The 2019 Syndicated Loan Agreement signed on January 29, 2019 stipulates that, at the end of each financial six-month period starting from November 30, 2018 and ending when the Syndicated Loan Agreement expires, the group is required to observe the following two ratios, calculated on a consolidated basis, with levels defined as follows:

Ratio at the end of each six-month period (2019 Syndicated Loan Agreement)	Threshold at date
Leverage ratio ⁽¹⁾	≤ 3.0
Debt/equity ratio ⁽²⁾	≤ 2.0

(1) *I.e. 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 net income of the consolidated group before income tax and financial 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 expenses (including any increases or decreases in amortization, depreciation and provisions, fair-value adjustments, and income and expenses relating to the non-financial compensation of employees); and capital gains or losses from the sale of assets, less income from minority interests.*

(2) *I.e. Net Financial Debt (a), divided by consolidated shareholders' equity (c):*

- (c) *refers, at any given date, to the Borrower's consolidated shareholders' equity at the start of the relevant period, plus the group's consolidated net income on said date, minus (i) cash dividends paid (including the share of income attributable to minority interests) and other similar distributions paid by the Borrower to its shareholders in cash since the beginning of the relevant period (ii) impairment losses resulting from impairment tests aggregated over the same period (to offset their inclusion in the group's consolidated net income) and (iii) the impact of the Borrower's treasury shares at November 30, 2017.*

The margin applicable to each Advance considered will be determined according to the leverage ratio applicable at each testing date and, depending on the group's observation of Annual CSR Criteria, a positive or negative incentive mechanism will be applied to the applicable margin at the time.

The 2019 Syndicated Loan Agreement also stipulates that, in the event of a change of control of Kaufman & Broad SA, all commitments will automatically be canceled and all ongoing advances as well as all interest incurred, all reinvestment costs and all other amounts due under the terms set out in the financing documentation will automatically become payable, at the date of said change of control. Under the terms of the 2019 Syndicated Loan Agreement, a change of control refers to

any event whereby one or more persons acting alone or in concert gain control of the Borrower as defined by Article L. 233-3 of the French Commercial Code if this event was not recommended or approved by the Borrower's Board of Directors; it is specified that the term "acting in concert" refers to the definition given in Article L. 233-10 of the French Commercial Code.

In the event of accelerated repayment of the amounts due under the Bond Issue of May 18, 2017 and/or the 2019 Syndicated Loan Agreement (if some or all the amount granted under this agreement up to €25 million has been drawn), the group might not be able to repay said amounts in full. The occurrence of such events could have a material adverse effect on the group.

1.2.2. Market risks

Due to its exclusive presence in France, Kaufman & Broad is not impacted by country risks (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 income and available cash flows to service the debt would decrease, thus reducing the funds available to finance operations and future business opportunities.

Under the 2016 Senior Facilities Agreement, the group set up hedging instruments to cover interest payments 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

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or mandatory repayment made by the Company. Interest-rate hedges were arranged by way of instruments listed on organized markets or over-the-counter with high-quality counterparties.

Since implementing the 2016 Senior Facilities Agreement and fixed-rate Bond Issue of May 18, 2017, Kaufman & Broad has renegotiated some of its hedging instrument (swap) contracts in order to cover the floating-rate portion of its debt.

Since issuing the €150 million fixed-rate bond and repaying €150 million of the 2016 syndicated credit lines, the group's share of debt exposed to interest rate risks has fallen from €200 million to €50 million and now only represents 20% of Kaufman & Broad's gross debt at November 30,

2018. After repaying the 2016 Senior Facilities Agreement in full and arranging the 2019 Syndicated Loan Agreement, which remains undrawn at the date of the present Registration Document, the group has little exposure to interest rate risk.

The purpose of the risk management policy is to control changes in interest rates and their impact on income and cash flows, so that the total cost of debt remains acceptable. To achieve this, the group hedges its floating-rate loan interest flows with (floored) swaps. These are derivatives for hedging cash flows. They are recognized in the balance sheet at their fair value. However, there is no guarantee that the group's hedging policy will have the intended effects, especially in the event of a default by any of its hedging counterparties.

The following table provides a breakdown of the portfolio of 1-month Euribor lender/fixed-rate borrower swaps at November 30, 2018

Type	Notional amount (in € millions)	Fixed rate	Maturity		Type	Market value at November 30, 2018	Market value at November 30, 2017
			Start date	End date		(as % of nominal)	(as % of nominal)
EUR1M fixed-rate swaps	20	0.2975%	May 31, 2017	April 1, 2021	Hedge	-0.57%	-0.62%

The fair value of these derivatives is measured by external experts (level 2 valuation as defined by IFRS 7). The hedging reserve net of deferred tax at November 30, 2018 was -€74 thousand compared with -€82 thousand at the end of November 2017.

Interest rate sensitivity of financial assets and liabilities

(in € thousands)	Base	Book gains/losses 50 bp increase	Book gains/losses 10 bp decrease
Syndicated credit lines (B) ⁽¹⁾ – Senior Facilities	50,000	(250)	50
Bond Issue	150,000	0	0
Credit facilities and other borrowings ⁽⁴⁾	1,360	(7)	1
Cash ⁽³⁾	253,358	1,267	(253)
Marketable securities	-	-	-
Swaps ⁽²⁾	20,000	100	(20)
NET IMPACT ON PRE-TAX INCOME	-	1,110	(222)

(1) Assumptions: 1-month Euribor at -0.370%.

Before the effect of hedging, a 50-basis point increase in interest rates or a 10-basis point decrease in the above liabilities would have the following impact on pre-tax income:

- increase: -€257 thousand;
- decrease: +€51 thousand.

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

- increase: -€157 thousand;
- decrease: +€31 thousand.

(3) Bank balances, cash in hand and order balances.

(4) Excluding issuance expenses, fair value of derivatives and accrued interest.

Type of instrument	Floating/fixed	Less than one year	1 to 5 years	More than 5 years
Syndicated credit lines ⁽¹⁾	Floating		50,000	
Bond Issue	Fixed			150,000
Credit facilities	Floating	1,087		
FINANCIAL LIABILITIES		1,087	50,000	150,000
Bank balances and cash in hand	Floating	249,974		
Short-term investments	Floating	0		
Order balances	Floating	3,383		
FINANCIAL ASSETS		253,358	–	–
Net position before risk management		(252,271)	50,000	150,000
Swaps			(20,000)	
NET POSITION AFTER RISK MANAGEMENT		(252,271)	30,000	150,000

(1) This breakdown does not include the repayment made on January 30, 2019 and described in "Events after the closing date" (see Note 2.4. in the notes to the group's Consolidated Financial Statements for the year ended November 30, 2018 which can be found in Chapter 4.1 "Consolidated Financial Statements at November 30, 2018").

1.2.2.2. Equity risks

The Company's exposure to equity risk is limited because:

- the marketable securities held by Kaufman & Broad consist of money-market mutual funds (SICAVs) with the best ratings and acquired from recognized institutions;
- the treasury shares are held either to meet the objectives outlined in the description of the Company's share buyback program (see Section 5.2.3.1. "Buyback program authorized by the Shareholders' Meeting of May 3, 2018"), i.e. to be used mainly for bonus share plans, the cancellation of shares by the Company, the acquisition of shares to be held and subsequently delivered in payment or exchange in external growth transactions, or for the purposes of the liquidity

agreement. The outcome of share purchases/sales and bonus share awards 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". The impact of these shares and share price fluctuations combined is described in the Notes to the Consolidated Financial Statements (Section 4.1.5. "Notes to the financial statements" in Note 7.1. "Shareholders' equity").

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

1.2.2.3. Currency risks

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

1.2.3. Legal risks

1.2.3.1. Risks relating 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, more stringent building, environmental or building permit issuance standards could adversely affect the group's profitability and operating income. Similarly, changes to tax regulations, and in particular the repeal of certain tax incentives, could have a material impact on the real estate market and, as a result, adversely affect the group's financial position.

As a project owner that designs its real estate programs, the group must comply with applicable regulations set out in urban planning documents drafted by local authorities (land occupancy plans in force, local town

planning, mixed development zones). Such regulations include rules governing the height of buildings and distances between buildings, guidelines for the placement of structures on land, possible exemptions from these rules and guidelines, and the external and aesthetic aspects of structures.

The group must also comply with environmental regulations, particularly those governing water use (water distribution, waste water treatment), the emission of polluting substances, respect for flora and fauna, the protection of endangered species, dangerous substances and the decontamination of polluted sites, as well as regulations governing listed buildings.

Such rules are changing constantly and growing in number (urban planning, construction standards, environmental standards, building bans and restrictions on listed sites, rules for issuing building permits, consumer protection regulations), which could have a material adverse impact on the group's business and growth. The growing number of standards has made the development of real estate projects more

complex and new obligations have added extra costs, which could lead to longer delivery times for the group's real estate programs and an increased number of objections from third parties; the group's results could therefore be affected.

As a property seller, the group must comply with the common sales law but also with specific regulations governing 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 property buyers have the right to retract during a cooling-off period of ten days as from reception of the non-notarized property purchase contract or an order contract, if one exists, since the contract does not become final and binding until this period expires. The regulations governing sales before completion contain a certain number of mandatory provisions designed to protect buyers. The main provisions include the following obligations: to sign 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 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.

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 so-called two-year and ten-year guarantees). The law has introduced the principle of presumption of liability for all parties involved in the construction of a building in the event of damage, even damage resulting from defects in the ground, that adversely affects the structural integrity of the building or of one of the major components of equipment in such a way as to render it unfit for purpose.

Thus, property buyers have a ten-year guarantee for any damage that may render the building unfit for purpose and a two-year performance guarantee for the correct functioning of equipment installed in the building. Customers may make reparation claims against the group, which may in turn hold the contractor liable for construction defects. This system of guarantees is supplemented with an obligatory insurance scheme, introduced by Law no. 78-12 of January 4, 1978, called "Structural Defects" (*Dommages-Ouvrages*) insurance, which must be obtained when construction begins. This insurance enables compensation for defects covered by the two-year or ten-year guarantees to be pre-financed. The benefit of this insurance cover is transferred to customers when they acquire their housing units and to their successors upon resale of their home. In the event of compensation being paid, insurers will subsequently make claims against the builder responsible and their insurer in order to recover the advances paid (see Section 1.3.3.1. "Mandatory insurance").

This insurance and other forms of insurance relating to the group's business are described in Section 1.3.3. "Insurance." As regards the regulations governing the group's construction sites, the Law of December 31, 1993 requires the project owner to designate a Health and Safety Coordinator as from the design stage. In addition to appointing this coordinator, the group's policy is to anticipate and identify the risks surrounding construction projects, not only during construction but also during maintenance of the building after it has been delivered.

Consequently, the group sets up prevention plans at its construction sites in order to identify risks, inform the various parties involved at the construction site of potential risks and prohibit access to unauthorized personnel. The group strives to ensure that project managers meet their due diligence obligations in accordance with French labor laws aimed at combating undeclared work and the employment of undocumented foreign workers. If these obligations are not met, the French Labor Code imposes a civil financial penalty (tax payments and charges shared with contractors) and/or criminal penalty (fines and/or imprisonment). Thus, the group's technical departments must verify that contractors and subcontractors meet their Social Security contribution obligations, once before the contract is signed and then again every six months during execution of the contract, and must ask the project manager to sign a sworn statement that they will not employ undocumented workers. Such provisions are intended to combat the risk of undeclared work.

In the course of its operations, and particularly when filing building applications, the group may face delays caused by third parties above and beyond 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 town planning regulations (local town planning, development planning for Mixed Development Zones – ZACs) or with the French Urban Planning Code. The main risk facing the group is essentially a delay to a program's schedule (see Section 1.1.8.4. "Commitment Committee") or even the risk of having to abandon programs whose design has already incurred costs for the group. Where certain projects are abandoned, the group may have to pay penalties or land holding guarantees as defined in the land management agreements relating to said programs.

Triggering the guarantees described in this section may expose the group to the risk of having to pay significant amounts and 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 can be exposed to legal action (complaints procedures, proceedings in various courts, etc.), in particular with regard to faulty workmanship in its real estate development programs, a failure to comply with certain legal or regulatory requirements, the validity of building permits obtained, real or alleged serious defects in the quality of services it provides or any other alleged irregularity. Such proceedings could result in orders to pay significant amounts, damage the group's image and/or the Kaufman & Broad brand and/or reduce demand for its products and services, which could have a material adverse effect on its business and results. Proceedings that would expose the group to significant financial penalties could divert the attention of its executives from running the group's operations.

Details about the main ongoing litigation proceedings are provided 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 relating to tax incentives that may affect the new housing market

There has been a succession of tax incentives since the late 1990s that have had varying degrees of influence over new homebuilding depending on their implementation (see Section 1.1.2.2. "Tax incentives").

Like all players in this market, Kaufman & Broad benefits from tax incentives aimed at encouraging investment by private individuals. Such measures in force at present have limited time frames. If such measures expire and are replaced with less favorable measures, are not replaced at all, are reconsidered, or if certain advantages offered to promote the acquisition of new housing, rental investment or home ownership are eliminated or changed, this could have a material adverse impact on the real estate market and especially on sales volumes or new housing prices and, therefore, adversely affect the Company's business and/or profitability.

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

1.2.3.4. Risks relating to changes in tax regulations

The group is subject to numerous tax regulations that apply with respect to its business, including regulations governing the assessment of direct tax expenses, different VAT regimes and the calculation of income tax due on the earnings of companies within the group's scope of tax consolidation. The group may also be affected by changes in town planning tax regulations (including office building fees and land development fees).

Although the Company takes all reasonable steps to avoid errors, the complexity of these regulations and the fact that they are constantly changing may give rise to disputes with the tax authorities, which in turn could incur charges that may or may not have a material impact on the group's financial position.

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 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 land holding guarantees, Performance Bonds and financial covenants.

1.2.3.6. Risks relating 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 relationships with customers or prospects, the group collects personal data, some of which relate to their assets and are therefore relatively sensitive.

Even though the Company considers that it has taken appropriate measures to protect these data (see Internal Control and Risk Management Systems in Section 1.3.1.4.3. "Information Systems") and to comply with the regulations of the French Data Protection Authority (*Commission Nationale Informatique et Libertés*), these data could be destroyed or transferred 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 a case, the group's image and the Kaufman & Broad brand could be tarnished in a way that may have a material adverse effect on the group's business, results and financial position.

In addition, the group has adapted its procedures to comply with the General Data Protection Regulation (see Section 1.7.4.4.1. "Compliance and ethics at Kaufman & Broad").

1.2.3.7. Risks relating 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 changes to 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 for financial instruments. This standard must be applied in fiscal years beginning on or after January 1, 2018 and has been established to replace most existing IFRS provisions, including IAS 39. The main features of the new standard are the provisions 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 group is not expecting any material 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 that currently used for finance leases, including recognizing an asset and liability for the rights and obligations created by a lease. The group will apply this standard as of the fiscal year starting on December 1, 2019. Application of IFRS 16 should affect the group's operating income, financial income, fixed assets and net debt. The assets involved mainly concern premises and equipment used by the group's employees. The quantified impact of applying this standard is in the process of 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 would 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 relating to competition

The property developer-builder business is a highly competitive one. The group faces competition in the areas of land acquisition, product sale prices and access to subcontractors, from national and regional developer-builders alike (see Section 1.1.2.4. "Main competitors"). The market for the 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 revenue and/or profit margins;
- force Kaufman & Broad to offer or increase price discounts;
- reduce sales of housing units or increase the buyer cancellation rate.

Each of these competitive aspects could have a negative effect on operating income, increase expenses and/or hinder growth in the group's operations. If the group is not able to face the competition effectively, it could lose market share and its profitability would be affected.

1.2.4.2. Risks relating to dependence on customers, suppliers, patents, licenses, new manufacturing processes and contracts

Since Kaufman & Broad acquired the license for KB Home's 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 2018 as a whole, its top ten customers, who are mainly real estate companies and institutional investors, accounted for 35% of revenue and 29% of total orders; excluding commercial real estate programs, its top ten customers accounted for 19% of revenue and 16% of total orders in 2018.

Its top 10 suppliers accounted for 20.7% of flows billed by suppliers in fiscal year 2018, and the leading supplier accounted for 5.0% of these flows.

1.2.4.3. Risks relating to construction costs

As a builder-developer, Kaufman & Broad entrusts construction work to third-party contractors from a variety of trades and, accordingly, it

may be exposed to risks inherent in forecasting its construction costs. To best understand such risks, the group has a "controlled" process when conducting its business which it uses to establish a real estate program's strategic and financial suitability prior to engaging in it (see Section 1.1.7. "Development Process" et seq.). The group relies on estimated preliminary cost budgets and technical studies, and issues tender inquiries before land is purchased. Despite this decision-making process, the group may still face additional costs relating to unexpected technical challenges, exceptional weather conditions that delay work, an accident during construction or the bankruptcy of a subcontractor. Such unforeseeable events could have a material adverse impact on a 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. This may be due to a lack of availability of contractors or an increase in contractors' own expenses (more costly materials and increasingly stringent 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. Higher construction costs 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 sale prices.

Lastly, with regard to construction work, Kaufman & Broad selects its contractors mainly through calls for tenders. This process, carried out through tender inquiries, creates competition among companies that have been short-listed to carry out the works and therefore also helps to keep the cost price of operations under control. 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 higher prices and less control over the quality of their work.

1.2.4.4. Risks relating to contracts signed with public bodies

The complexity of regulations governing contracts signed with public bodies could lead the Company to incur additional costs in order to comply with specific criteria. 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 may have failed to comply with European or national regulations governing the awarding of such government contracts, in which case the group's financial position could be adversely affected. The group's cash flow could also be adversely affected by such contracts as repayment terms are usually longer in the public sector than in the private market. In addition, the public bodies concerned may impose certain technical procedures and constraints that might make the real estate programs concerned less profitable.

1.2.4.5. Risks relating to the land 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, and the group needs to be able to identify and acquire such land. Increased competition (for instance due to a significant rise in land prices resulting, among other things, from the common practice of selling land by auction, especially when sold in 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 achieve its goals.

1.2.4.6. Risks relating to the discovery of archaeological remains

Before acquiring any plot of land or building, the group makes sure they are not affected by archaeological restrictions. Nonetheless, archaeological remains or objects may be discovered during construction. Any such discovery may result in construction being suspended or the site being listed, either of which could have material negative financial consequences for such programs.

1.2.4.7. Risks relating to biodiversity and protected species

In France, 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. Such studies can have an impact on the organization of programs that may be affected. Depending on the conclusions of the impact study and on any issues that may arise, it may be decided either to file an application for an exemption from the rules for protected species (reviewed by the National Committee for the Protection of Nature – CNPN), to change the general ground plan in order to avoid the protected species, or to take compensatory measures reviewed by the Regional Directorates for the Environment, Planning and Housing (DREAL). However, during real estate development operations, it may arise that protected species are encountered in specific areas whereas they had not been detected previously. Such discoveries can have a material adverse impact on the program and its financial equilibrium because of delays in its schedule or additional costs resulting from special technical arrangements, or because the suitability of certain plots for construction needs to be reconsidered.

1.2.4.8. Pollution risks

Prior to acquiring any land or building, the group usually has a third-party expert assess the level of pollution in the soil, sub-soil and existing constructions; the site's real estate history; and the level of asbestos and lead in any building due to be renovated or rebuilt.

In addition, the group requires that sellers disclose any environmental risks of which they are aware. However, despite these preventive measures, there is no guarantee that the group can fully protect itself against all significant risks relating to the elimination of toxic waste, site rehabilitation and supervision, 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 though the group might, on completion of any relevant preliminary inspections, acquire property requiring moderate rehabilitation expenses. In such cases, prior to the acquisition, the group obtains guarantees concerning the exact nature of the requisite work and the scale of the costs for eliminating toxic waste, rehabilitating and/or supervising 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 being brought by the competent administrative authorities or third parties for property damage or bodily injury. Although the seller of the land or building may sometimes be held liable under the terms of the sale agreement, discovery of pollution problems on a land plot or in a building can cause delays and incur additional costs, and could have significant financial consequences if the seller of the land or building (or its guarantor, if applicable) is insolvent. Also, the group's ability to sell property in areas affected by pollution or to borrow could be reduced because of its inability to use the affected property as collateral.

1.2.4.9. Risks relating 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 homebuilding or office construction operations. 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 affecting recognition of the group's revenue and margin.

1.2.4.10. Risks relating to IT systems

Taking into account the nature of its business, its organizational structure and its different locations, the group has not identified any dangers to its IT systems that might threaten the continuity of its operations. However, the partial or total physical destruction of the group's IT systems could lead to a system shut-down and thus have a negative impact on its business continuity. The group is also exposed to the risk of its data being lost, stolen or compromised.

1.2.4.11. Risks relating to acquisitions

In recent years, the group has made acquisitions and purchased equity interests in order to expand its market share, while also carrying out asset disposals (see Sections 1.1.1. "History" and 1.1.1.3. "Acquisition strategy").

However, the group might not be able to identify the most suitable companies, make acquisitions on satisfactory terms and conditions or meet the obligations stipulated in the relevant acquisition/disposal agreements. Furthermore, although the group aims to successfully integrate the companies it has purchased, it cannot guarantee that this will be achieved within the expected time frame. In addition, it might also have difficulty in holding onto key skills identified during the acquisition process or in producing the expected synergies within the expected time frame. The group might also face charges and liabilities that were not

disclosed in its audits or during the acquisition process, and integration costs could prove higher than initially estimated.

The occurrence of any of these risks could have a material adverse effect on the group's financial position or results.

Furthermore, acquisitions made by the group may be reflected in its Consolidated Financial Statements through the recognition of goodwill, representing the future economic benefits expected from such assets. A downward revision to these expected benefits resulting from changes in the macroeconomic situation may lead to a goodwill impairment charge, which might have an adverse effect on the group's financial position and results. At November 30, 2018, the amount of goodwill recognized was €68.5 million (see Note 5.1. "Goodwill" in Section 4.1.5. of the notes to the group's Consolidated Financial Statements for the year ended November 30, 2018 which appear in Section 4.1. "Consolidated Financial Statements at November 30, 2018" of this Registration Document).

1.2.5. Other risks

1.2.5.1. Risks relating to key-person dependency

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 Executive Committee, whose members have been with the group for an average of 19.2 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, of whom there are six, are mostly members of the Management Committee and heads of regional entities.

1.2.5.2. Risks relating to human resources

In addition to the risk of dependence on key executives as 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 find experienced replacements to hire rapidly, which could have a negative impact on its organization and incur additional costs because of the need to train new hires.

1.2.5.3. Risks relating to program management

Group programs may not generate the sales and financial results estimated at the time the commitments were made as reflected in the projected budget at completion. Given the number of factors that could affect the cost structure and profitability of programs compared to initial estimates, and the difficulties in implementing appropriate management control procedures designed to identify and adjust for any budget changes, significant additional costs could be incurred or certain group programs could underperform. Even if the group only commits to developing a real estate program under certain conditions, in particular the condition of reaching a pre-sale rate of approximately 50% (see Section 1.1.9. "Land development and construction supervision"), there is no guarantee that the remaining portion 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 any possible decline in demand or rise in costs early enough for the group to cancel programs that might not be profitable. An inability to anticipate these risks accurately and thus to contain costs could significantly penalize the group's results.

1.2.5.4. Counterparty risks

The counterparty risks faced by the Kaufman & Broad group primarily concern suppliers/subcontractors, accounts receivable and banking counterparties. Default by any of these counterparties could have a materially adverse 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 took in 2009 and 2011, or reducing its sale prices resulting in a sharp deterioration in the profitability of its operations) may put the group at risk of having to cover its partners'

insolvency in the financing of such programs and, if applicable, their share of the losses of unprofitable programs (see 1.2.1.2 “Risks relating to joint development programs”).

1.2.5.5. Risks relating to brand strategy and management

The group sells a range of different products under one brand, Kaufman & Broad. In recent years, the group has diversified the range of products marketed under this brand, particularly in response to difficult macroeconomic conditions that have changed its customers' behavior. Thus, the group's offering now extends from housing for low-income households to very upmarket housing; in addition, its commercial mix includes a growing share of business properties and managed products. Such a diverse product mix could be a source of confusion for customers and thus distort the brand image that the group wants to portray. In addition, considering the growing number and diversity of its customers and/or prospects (individuals, companies, private and institutional investors, local authorities), the group is exposed to image and reputation risk in the event of a serious deficiency, proven or not, in the quality of the services it provides.

Furthermore, the group's agencies are able, to some extent, to organize their own independent advertising campaigns and marketing initiatives to supplement the group's 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 deficiency in the quality of services provided by the group, the latter would be exposed to image and reputation risk.

Lastly, the development of social media, blogs and discussion forums increases the group's image risk among its private customers and/or prospects, and more specifically its e-reputation risk.

1.2.5.6. Risks relating to insurance coverage

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

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

As the terms and conditions of these insurance policies undergo contractual reviews on a periodic basis, the group may not in the future be able to obtain coverage on the same terms and conditions as those currently applicable or even be able to subscribe to such coverage at all. This could increase its risk exposure and its costs, which in turn would have a negative impact on its business, profitability and growth. Lastly, since insurance premium rates depend on the volume of claims, an increase in the volume of claims could lead to an increase in the premiums paid by the group and/or have an impact on its risk coverage level.

1.2.5.7. Risks relating to potential fraud, scams and corruption

Like all companies, Kaufman & Broad is exposed to potential fraud, scams and embezzlement or corruption. These could inflict direct or indirect financial damage on the group by affecting the financial flows exchanged between Kaufman & Broad, its customers and its stakeholders; they could also affect the group's reputation and financial interests. Despite preventive measures and awareness campaigns, and the priority given to anti-fraud efforts in its internal audit work program, Kaufman & Broad cannot fully eliminate the risk of fraud.

1.2.5.8. Risks relating to the group's shareholding structure

At the date of this Registration Document, and to the Company's knowledge, there is no company holding directly or indirectly more than 10% of the Company's share capital at February 28, 2019, with the exception of Artimus Participations (a company held by certain group directors and employees and 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 in Artimus Participations), which holds 10.62% of the share capital of Kaufman & Broad SA.

Since the withdrawal of Financière Gaillon 8 (a company ultimately controlled by funds managed by PAI Partners) from the Company's share capital, the free float represents more than two-thirds of the Company's shares. A significant portion of these shares are held by a large number of investment funds with varying investment profiles. Any decisions on fund allocation between different asset classes (equities, bonds and cash) are taken by committees or trustees specific to each country concerned, depending on the market outlook and expected return criteria. They may decide to withdraw their investments early if they become concerned about results failing to meet their expectations or about more unfavorable economic or regulatory conditions. This would result in a significant sell-off of the Company's shares, creating high volatility in its share price. The free float combined with significant sell-off volumes could have a more adverse impact on the group's share price.

In addition, since a significant portion of the Company's share capital is owned by investment companies through managed funds and/or ultimately by funds or on behalf of other investors, it is more difficult for the Company to gauge how much control it has over its share capital. This situation, combined with a large number of shares outstanding, could lead to a change in the Company's control through a concerted action or the purchase of a block of shares.

1.3. Internal control and risk management system and insurance

1.3.1. Internal control and risk management system

1.3.1.1. 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 actions, decision-making and/or execution of transactions, as well as staff behavior, comply with statutes and regulations;
- the group's Executive Management's instructions and guidelines are applied;
- the Company's internal processes, especially those safeguarding its assets, function properly;
- the accounting, financial and management information disclosed to corporate bodies and external parties is presented accurately and fairly.

The Internal Control System implemented by the group's Executive Management includes a risk management system that lists and analyses the main identifiable risks to the group's ability to meet its 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 manage 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; instead it seeks to obtain reasonable assurance that the objectives of the Internal Control System are being achieved.

The scope of the Internal Control System described in the present Registration Document 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).

1.3.1.2. Context and organization of internal control

1.3.1.2.1. General organization of internal control

1.3.1.2.1.1. Executive Management

Executive Management is directly responsible for the Internal Control System. It defines internal control guidelines 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 regarding accounting and financial information.

1.3.1.2.1.2. Overall organization of the group

The group's internal control system is based on:

- an overall organization with a dual structure consisting of regional operational divisions, which are profit centers located in France according to the group's development strategy, and functional departments, which provide control, expertise and advice for the operational divisions. These include the departments of:
 - Finance,
 - Institutional Sales and Major Projects,
 - Human Resources,
 - Architecture-Quality;
- a centralized organizational structure: Kaufman & Broad centralizes at its head office the main decision-making and procedural functions, in particular all land acquisitions subject to prior approval by the Land Committee and Commitment Committee; the recognition of revenue and their associated costs; and the consolidation process. Regional divisions therefore have limited autonomy 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, and
 - the Audit Committee of Kaufman & Broad SA.

1.3.1.2.2. Management structures

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.

The management bodies are made up of an Executive Committee and a Management Committee, which can meet as an Extended Management Committee.

1.3.1.2.2.1. Executive Committee

The composition of Kaufman & Broad's Executive Committee is described in detail in Section 3.1.3.1. of the present Registration Document.

The Executive Committee implements the group's strategy and monitors its deployment, in particular through the Annual Plan for each business activity. Lastly, it defines any organizational adjustments that may be required based on the strategic decisions taken by the Board of Directors and ensures they are implemented.

1.3.1.2.2.2. Management Committee

The composition of Kaufman & Broad's Management Committee is described in detail in Section 3.1.3.2. of the present Registration Document.

The Management Committee monitors implementation of the Plan by each business activity. It proposes improvement initiatives and sets the targets that are to be met by the agencies and divisions. It helps to define and implement the group's projects.

The Management Committee may meet as an Extended Management Committee consisting of the Management Committee together with the Agency Directors and heads of the cross-functional operating departments. The Extended Management Committee defines and monitors implementation of the Plan by the agencies, while also ensuring compliance with our commitments to all stakeholders, in particular our partners and customers.

1.3.1.2.2.3. Land Committee and Commitment Committee

These committees are composed of the Chairman and Chief Executive Officer, the Chief Financial Officer and the Regional Senior Vice-Presidents. These committees review each project for which there are plans to sign a land acquisition agreement.

Land Committee: familiarization with all real estate programs, from the initial concept onwards

The Land Committee confirms the strategic and financial suitability of 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 arrangement of a land holding guarantee (particularly in the case of unilateral contracts of sale). The way this Committee operates is described in detail in Section 1.1.8. of the present Registration Document.

Commitment Committee: authorization to continue examining a project

The members of the Commitment Committee meet before the building permit application is submitted in order to: approve the strategy for the program in question (particularly its commercial and technical aspects); validate the program's updated budget which 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 tender inquiries and marketing and sales campaigns. These decisions thereby give the Agency Director concerned authorization to continue examining the real estate project. The way this Committee operates is described in detail in Section 1.1.8. of the present Registration Document.

1.3.1.2.2.4. Quarterly Committee for Reviewing Real Estate Programs

Every quarter, before preparing the financial statements, the Executive Management and Finance Department meet up with each Agency Director to review the real estate programs that have been approved by the Land Committee, and to assess the current sales strategy and the consistency of business forecasts. These performance reviews help determine what, if any, corrective measures the regional agencies need to take. It is the responsibility of the members of the Quarterly Committee to approve the real estate program budgets that will be used when preparing the group's Consolidated Financial Statements.

1.3.1.2.2.5. 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; land acquisitions; updates on ongoing projects; newly launched projects; and deliveries over the period in question.

1.3.1.2.3. 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.

1.3.1.2.3.1. Management Control, Reporting and Financial Information Department

The purpose of the Management Control, Reporting and Financial Information Department is to:

- manage planning processes;
- implement and apply the reporting, steering and decision-making tools adapted to various levels of responsibility and various types of business activities;
- analyze any variances between achieved and targeted results, discuss the reasons for these variances with the operational divisions and monitor 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 business reviews and financial reports;
- upgrade management information systems;
- oversee management control functions in the agencies;
- cooperate with the contributing departments and Accounting and Consolidation Department to ensure that all financial information and management documents are prepared, reliable and consistent.

1.3.1.2.3.2. Internal Audit Department

The main duties of this department, which reports to the Chief Financial Officer, are to ensure that:

- the group's procedures are adequate and effective with respect to its operations and environment;
- all those involved comply with these procedures.

The Finance Department or Audit Committee may also ask this department to carry out ad hoc audit tasks on specific matters.

The 2018 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. The priorities established to prepare these plans are set after a risk analysis and an examination of any changes in the group's environment and structure. The Internal Audit Department verified compliance with the Internal Control System during preparation of the Consolidated Financial Statements and with the operational Internal Control System by the various agencies.

1.3.1.2.3.3. Treasury and Financing Department

Functions centralized within Kaufman & Broad's Treasury and Financing Department include the negotiation and management of credit lines, and the management of financing and investments, Performance Bonds, off-balance sheet commitments and interest rate risks. The department is also in charge of managing the group's insurance policies.

1.3.1.2.3.4. Accounting and Consolidation Department

The purpose of the group's Accounting and Consolidation Department is to:

- manage, coordinate and supervise the accounting units (general accounting; accounts payable; accounts receivable and calls for funds/payments) and the Consolidation Department;
- prepare accounting and financial information documents in compliance with applicable formats and standards;
- monitor changes to accounting and consolidation systems;
- coordinate with the Statutory Auditors and provide them with access to the information required to conduct their due diligence.

1.3.1.2.3.5. IT and Telecom Services Department

The IT Department defines, develops and implements new IT solutions and manages these tools on a daily basis in accordance with the Company's needs.

1.3.1.2.3.6. Legal Department

The Legal Department is responsible for the following:

- supporting and advising both the support services and operational units when structuring real estate programs, in particular when preparing contracts and transactions;
- establishing powers to sign the contracts needed to carry out real estate programs managed by the head office, and establishing powers to sign land acquisition deeds for the entire group;
- monitoring the group's litigation and legal risks;
- implementing preventive summary proceedings;
- providing legal oversight of all group structures.

1.3.1.2.3.7. 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 for operational departments during the launch of real estate programs;
- monitoring of group litigation and tax risks.

1.3.1.3. Risk management systems

1.3.1.3.1. Identified material risks

The identified material risks to which the group might be exposed are described in Section 1.2. of the Company's Registration Document "Risk factors".

1.3.1.3.2. Process for identifying and managing risks

To keep its Internal Control System effective, Kaufman & Broad's Executive Management ensures on a regular basis that the Company is equipped with the appropriate procedures. For this purpose, it performs risk mapping.

Between 2015 and 2016, the group rolled out an initiative to map out the main risks to its ability to meet its objectives.

Risks were identified during interviews conducted with 21 Kaufman & Broad managers and senior executives; they included primarily the Regional Senior Vice-Presidents, the heads of the cross-functional departments at the head office and Agency Directors. These interviews made it possible to better identify the causes and potential consequences of each of these risks and the main control mechanisms to prevent them from occurring.

The group's risk map is updated each year based on any changes in the relevant indicators that were defined during the risk weighting adjustment process. The latest update of the risk map was presented at the Audit Committee meeting of January 25, 2019.

Furthermore, pursuant to the Sapin II Law, in 2018 the group drew up its corruption risk map based on the same approach as that used to establish its major risk map. The components of the system adopted by the group to prevent and combat corruption are presented to the Audit Committee and Board of Directors on a regular basis. This system is described in detail in Section 1.7. of the present Registration Document "Non-financial performance declaration: Kaufman & Broad's corporate social responsibility".

Kaufman & Broad's risk management framework includes a list of the main risks existing at the level of the regional operating entities. The mapping of relevant risks covers the entire life span of a real estate project and, more specifically, the following key areas:

- project feasibility and land acquisition;
- selection of construction companies and supervision of the construction process;
- orders and sales.

For each of the strategic, financial, legal and operational risks identified, the Company has set up controls aimed at reducing its risk exposure to a level deemed acceptable by the Company.

These controls are carried out at the head office 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 volume and profitability targets;
- the tracking and handling of third-party objections filed against building permits;
- compliance with internal procedures during the decision-making process for real estate commitments (Land Committee and Commitment Committee), the signature of contracts of sale (delegation of powers), sales launches, land acquisition (pre-sale rate and conditions precedent) and the cost of works;
- the preparation of tender inquiries;
- construction cost estimates;
- the selection of construction companies;
- assurance that contracting companies are financially sound;
- the administrative authorizations required to implement the construction process;
- execution plans and sale plans;
- the supervision of construction sites and construction schedules;
- certification of construction costs by the general contractor;
- work completion certificates and compliance certificates;
- draft operating budgets (changes in a program's sale prices or production costs);
- calls for funds from customers and payment collection;
- variable compensation allocated to the real estate staff and sales staff.

1.3.1.4. Key components of the group's Internal Control System

1.3.1.4.1. Code of Ethics and Internal Rules

The Code of Ethics in force within the group was updated and supplemented with a disciplinary sanctions procedure and a whistle-blowing procedure in 2017 and 2018 to take account of changes within the group and the provisions set out in the Sapin II Law. The Code and procedures are part of the group's Internal Rules. The Internal Rules and User Charter for the use of IT resources and Internet services are signed by all the group's employees.

The new procedures include whistle-blowing systems and sanctions in the event of failure to meet the obligations set out in the Code, Internal Rules and applicable laws and regulations. The whistle-blowing system that the procedure covers includes a secure IT reporting module called "KB Ethics".

These documents and the User Charter for the use of IT resources and Internet services are available on the Company's intranet and are issued to all the group's employees.

Since 2019, it has become mandatory for all the group's employees to complete a training course on the main aspects of the Code of Ethics and related procedures.

1.3.1.4.2. Internal procedures

The internal control system covers 13 topics broken down into 26 separate procedures, of which the main ones are as follows: land acquisition, management of calls for funds and payment collection, monitoring of trade receivables, debt management, bank reconciliation, bank guarantees, human resources, closing and consolidation, determination of goodwill and assessment of asset impairment losses, earn out, preparation and control of a real estate program budget and the process of preparing projections, recognition of revenue and inventories on a percentage-of-completion basis, management of orders, progress rates, fiscal planning and calculation of current taxes, management of the supplier base, recording and validation of trade payables, supplier payments, procurement, project completion management, annual performance reviews and exit interviews.

In addition, there are several IT procedures covering the department's planning and organization, security, safety, change management and systems operation.

The procedures describe their respective objectives, the persons responsible and participants, the inherent risks and the possible impact of a failure to apply them on the group's financial statements. Each of these procedures includes control points, some of which are considered "key points" because of their importance to the group's risk prevention system.

1.3.1.4.3. Information systems

The Kaufman & Broad group's IT Department reports to the Chief Financial Officer and is responsible for: (i) overall coordination of the definition, development and implementation of new IT solutions; and (ii) day-to-day management of existing tools.

A set of procedures has been established for IT procurement and for the management of services and maintenance contracts. As far as operational management is concerned, there are business procedures governing the development and operating functions. Furthermore, Kaufman & Broad has issued 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.

1.3.1.4.4. Budget and management control

Planning

The operational planning process is decentralized to the regions. This process is organized by Executive Management and the Finance Department, which define the governing principles and timetable, coordinate the process within each entity, and verify overall consistency with the group's strategy.

The operational managers in the various agencies, assisted by their management controllers, prepare a two-year plan for their respective entities including a detailed budget for the year ahead. The objectives proposed are approved by the Finance Department and Executive Management between October and January. The Finance Department and Regional Senior Vice-Presidents consolidate and discuss the plans for each entity.

INFORMATION ABOUT THE GROUP'S BUSINESS ACTIVITIES

Internal control and risk management system and insurance

Weekly dashboard

The management control unit distributes a dashboard each week to Executive Management containing the previous week's gross and net orders.

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 each month by the Consolidation Department 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 that the financial information is reliable.

Updates

Every quarter, each entity prepares an update of its annual budget. This exercise makes it possible to revise trends at year-end but 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 Quarterly Committee meetings bringing together the managers of each agency or subsidiary. The updates are presented at the Board of Directors' meetings preceding the publication of quarterly results.

Quarterly flash

An update of the current quarter's results is prepared during the first ten days of the last month of each quarter. If necessary, Executive Management redefines targets on the basis of these projected results.

Planning and monitoring signing targets

Signing targets are approved by Executive Management based on revenue forecasts prepared by Agency Directors.

1.3.1.4.5. Controls of key accounting principles and estimates

With respect to key accounting principles and estimates, the internal control teams ensure, at each closing date, that the principles of IAS 18 and provisions of IAS 11 are correctly applied, and that the group's consolidated revenue and margin are recognized on a percentage-of-completion basis.

From a technical point of view, the land acquisition deed and proof of physical progress on construction projects are key controls in the

group's Internal Control System, together with an update (at least every quarter) of the budget at completion of our real estate programs by the regional divisions concerned. These operating budgets are reviewed by the Regional Senior Vice-Presidents before the quarterly financial statements are closed; they are also reviewed by the Finance Department at Quarterly Committee meetings, which include the Regional Directors and Executive Management, and which are held prior to approving the annual and semi-annual financial statements.

From a sales point of view, the signature of notarized deeds of sale for each housing unit sold before completion (VEFA) is a crucial element recorded in the declarations systematically issued by civil-law notaries for each individual sale.

1.3.1.4.6. Control of liquidity and interest rate risks

For the purpose of analyzing liquidity risk, the Company has set up an integrated process of establishing cash flow forecasts for each real estate program. This process is managed by the Treasury and Financing Department and by the Management Control, Reporting and Financial Department, placed under the responsibility of the Finance Department.

With respect to interest rate risk, only the Revolving Facility Agreement signed on January 30, 2019 is indexed to floating rates. However, to date, this credit facility remains undrawn. If the group were to decide to use this facility, it might once again expose itself to the risk of an increase in its obligations given that the facility is indexed to floating rates. In this case, in light of current interest rates and the likelihood that they are going to rise eventually, the group will look into the need to arrange hedging instruments covering interest payments on this facility.

The policy for managing interest rate risk is set by Executive Management on the Finance Department's recommendation.

1.3.1.4.7. Legal and operational controls

From a legal standpoint, the Chairman and Chief Executive Officer and/or 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 permanent representatives of a group company.

At the operational level, each Agency Director receives his/her annual performance objectives from Executive Management in writing every year. The Agency Director and his/her team then take ownership of these objectives through active participation in the budget process.

At Quarterly Committee meetings, Agency Directors submit to the relevant Regional Senior Vice-President and the Finance Department a percentage-of-completion report for all real estate programs under their management, along with an updated projected assessment of each program.

Each Agency Director is also required to submit to the Land Committee and Commitment Committee the details of any new program that he/she intends to develop.

Lastly, Agency Directors are responsible for compliance with the group's internal control procedures within their own entities.

1.3.1.5. Internal control during the preparation of accounting and financial information

There are various elements involved in the internal control of Kaufman & Broad's accounting and financial information:

- the accounting and financial departments, which report to the Chief Financial Officer;
- accounting and financial information systems;
- procedures for preparing financial statements;
- monitoring of commitments;
- financial reporting;
- the Management Control, Reporting and Financial Information Department.

1.3.1.5.1. Accounting and financial departments

The Finance Department is responsible for:

- defining group accounting standards and principles;
- defining the tax policy;
- determining periodic deadlines for all departments involved in preparing financial statements;
- implementing reporting tools, monitoring the reliability of the basic financial data collection and processing procedures;
- verifying the accuracy of data and their consistency with those produced by the financial information systems;
- controlling the preparation of statutory and Consolidated Financial Statements in compliance with the accounting standards, principles, rules and methods in force within the group;
- analyzing variances between budget and actual, and implementing and monitoring appropriate corrective measures;
- monitoring the availability of financial reporting, in the format and within the time frame required by Executive Management.

The Head of Accounting and Consolidation prepares accounting and financial information under the responsibility of the Chief Financial Officer.

1.3.1.5.2. Procedures for preparing 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 it has been prepared. The Head of Accounting and Consolidation is responsible for preparing this information.

Therefore, based on specific deadlines, the Head of Accounting and Consolidation gives all the units concerned instructions for completing the closing process and indicates what information is to be entered, what adjustments are to be made and what the applicable time schedule is.

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 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 Board of Directors, and audited (in the case of annual financial statements) or reviewed (in the case of half-year financial statements) by the Statutory Auditors prior to their publication. The Board of Directors then approves the financial statements.

1.3.1.5.3. Procedures to control off-balance sheet commitments

The group's main off-balance sheet commitments consist of land holding guarantees, Performance Bonds and financial covenants.

1.3.1.5.3.1. Land holding guarantees

Whenever the group intends to buy land in order to develop a real estate program, it must provide the seller with a land holding guarantee until the notarized deed has been signed. This land holding guarantee takes the form either of a guarantee granted to the seller (in general) or a cash payment (specific and exceptional cases). Two types of guarantee may be given to sellers: a personal and joint and several guarantee, or a first-demand guarantee.

In the case of a personal and joint and several guarantee, the group, acting through one of its subsidiaries, asks an insurance company or financial institution to act as the personal and joint and several guarantor of the group company acquiring the property. This guarantee is obtained vis-à-vis the seller and corresponds to the amount of the land holding guarantee. Such guarantees may also be extended by Kaufman & Broad SA. In the case of first-demand guarantees, the group asks an insurance company or financial institution to act as first-demand guarantor on its behalf vis-à-vis the seller for the amount of the land holding guarantee.

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.

1.3.1.5.3.2. Performance Bonds

For sale-before-completion (VEFA) contracts, Kaufman & Broad arranges for a financial institution, mutual guarantee institution or insurance company to issue a Performance Bond for construction that takes the form of a joint and several guarantee for buyers or a credit facility agreement (Article R. 261-21 § a or § b of the French Construction and Housing Code). These guarantees are arranged for each individual transaction. 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 in the Company responsible for the real estate program.

Performance Bonds are valued monthly by the Treasury and Financing Department and then updated based on the figures communicated by the relevant financial institutions according to their own disclosures to the Banque de France or Insurance Supervision Commission.

1.3.1.5.3.3. Financial covenants

The group has to observe certain financial ratios ("financial covenants") in accordance with the terms of the Revolving Facility Agreement signed on January 30, 2019 and of the Bond Issue of May 18, 2017. As such, every six months, the group's Finance Department provides the Statutory Auditors with the financial elements needed to calculate these ratios and then communicates the covenants to the lenders' representatives. The financial ratios are also calculated and presented quarterly to the Audit Committee and Board of Directors as part of the group's risk management system.

1.3.1.5.4. Group financial reporting

Besides 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 business reviews;
- 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.

1.3.1.6. Updates and performance reviews of the Internal Control System

Kaufman & Broad's current Internal Control System, as described above, is supplemented with 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 equilibrium. 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.

Correct application of the procedures relating to accounting and financial information is verified by the Internal Audit Department and occasionally by an independent auditing firm supervised by Kaufman & Broad's Internal Audit Department. This work is performed at the head office and in most of the group's regional agencies (depending on their contribution to the Consolidated Financial Statements), and the results are delivered to the Audit Committee on a regular basis.

This periodic due diligence 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 in place for managing the operational and financial risks inherent to the group's operations. The above information is therefore not to be construed as an assessment of the adequacy or effectiveness of the Company's Internal Control System, because said information does not cover the whole of said system.

1.3.2. Risk management by type

In order to prevent and manage the risks associated with its operations effectively, the group has set up an Internal Control System that is the subject of the Board of Directors' report on Corporate Governance and internal control (see Section 9.2. "Report of the Board of Directors on Corporate Governance").

The main purpose of the internal control and risk management system in force within the Kaufman & Broad group is to ensure that:

- management actions, decision-making and/or execution of transactions, as well as staff behavior, comply with statutes and regulations;
- Executive Management's instructions and guidelines are applied;
- the Company's internal processes, especially those safeguarding its assets, function properly;
- the accounting, financial and management information disclosed to corporate bodies and external parties is presented accurately and fairly.

The Internal Control System implemented by the group's Executive Management includes a risk management system that lists and analyses the main identifiable risks to the group's ability to meet its 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 manage risks resulting from the Company's business activities as well as the risk of 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; instead it seeks to obtain reasonable assurance that the objectives of the Internal Control System are being achieved.

1.3.2.1. Management of industrial, economic and environmental risks

1.3.2.1.1. Management of risks relating to the economic environment

The Company has been able to sustain its business activity in a weakened and uncertain general environment by choosing its property locations selectively and continually adapting the definitions of products it offers for sale. In addition, the group is able to deal with fluctuating market conditions by conducting its business with a low fixed cost structure. The group's main costs are variable and mainly include land acquisition costs, construction costs, program selling costs, and the commissions and compensation paid to the sales teams (approximately 15% of the group's payroll is considered variable). Accordingly, in the event of a business slowdown, the group can lower its costs by

reducing the number of programs it launches. In such cases, after taking account of the necessary adjustments to programs already launched (in particular, provisioning the costs of committed programs and the upcoming additional costs of completing these programs, and including 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 it being implemented.

1.3.2.1.2. Management of risks relating to joint development programs

The group's Internal Control System includes an internal control process that covers 13 themes broken down into 26 separate procedures, including land acquisition, management of calls for funds and payment collection, monitoring of trade receivables, preparation and control of a real estate program budget and the process of preparing projections, recognition of revenue and inventories on a percentage-of-completion basis, management of orders, progress rates, supplier payments, procurement and project completion management (for the main procedures involved in real estate programs, see Section 1.3.1.4. "Key components of the Internal Control System"). Joint development programs are not exempt from having to comply with these procedures, especially those relating to the selection of land.

1.3.2.1.3. Management of risks relating to bank guarantees for sale-before-completion contracts

To minimize its potential exposure to a decline in the number of financial institutions able to grant such guarantees to the group, it is making use of a greater number of varied top-tier financial institutions. The main financial institutions that the group deals with 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-Corporate Investment Bank (CACIB), Société Générale and BNP Paribas, along with institutions specializing in surety services and insurance brokers such as Atradius, MB Cautions, etc.

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

In order to more accurately assess its potential exposure to default by its suppliers, Kaufman & Broad introduced a rating system on November 1, 2013 that it uses to select suppliers, partners or affiliates and for the signature of contracts in calls for tenders. The use of financial ratings is intended to ensure that the companies with which the group enters into agreements are financially sound and reliable (see "Relationships with suppliers" in Section 1.7.4.4.2. "Purchasing and subcontracting" – paragraph "Selecting companies and suppliers"). In addition, Kaufman & Broad has in recent years centralized its finishing purchases at regional level and standardized its supplier selection procedures at group level. Such centralization makes it possible to develop long-term relationships with suppliers that sign framework agreements with the group. This is also a means for Kaufman & Broad to assess the financial soundness of the companies with which it enters into agreements and to forge lasting relationships (see paragraph "Business ethics and relations with subcontractors" in Section 1.7.4.4. "Business practices and ethics").

1.3.2.1.5. Management of liquidity risks

The allocation of financial resources and an analysis of liquidity risk are taken into account by Executive Management and the Finance Department in the conduct of the group's operations. This has involved setting up an integrated process of establishing cash flow forecasts for each real estate program, steered by the Treasury and Financing Department and overseen by the Finance Department. This process allows the Company to determine current and projected financing needs, either per program or for the group and its regional divisions as a whole.

1.3.2.2. Management of legal risks

1.3.2.2.1. Management of risks relating 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 for support units and operational units when structuring real estate programs, in particular when preparing contracts and transactions. In corporate matters, the Legal Department is responsible for all aspects of legal monitoring for all the group's entities as well as for the internal oversight of compliance with new standards and regulations and their interpretation; it performs these duties 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 summarized in Section 1.3.3. "Insurance." These risks are also monitored and analyzed by the group's Legal Department and counsel. They are systematically reassessed depending on any developments in the group's legal proceedings and on the basis of its past experience.

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

The Tax Department helps the group to adapt to changes in the tax incentives that apply to it. The department handles all tax matters, whether corporate or operational. The department is centralized and reports to the Finance Department, but it also relies on relevant staff in the Legal Department at the head office and in the regional entities. Its duties include, among other things, providing tax oversight for the group especially in relation to any developments that might affect its business. Lastly, the group supplements these arrangements by calling on external consulting firms specializing in tax matters.

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

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

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

To protect such data, any group applications of a confidential and/or sensitive nature cannot be accessed outside the group. Protection rules as well as advanced firewall systems have also been implemented. Lastly, enhanced security systems have been put in place for the data processing systems that are open to outside users. In addition, Kaufman & Broad has appointed a Data Protection Contact Person (CIL). This person is in charge of advising company professionals within Kaufman & Broad, spreading a "Data Protection" culture within the Company and monitoring compliance of their activities in matters of personal data processing.

The group has also begun work to identify the various types of data processing that it carries out in the course of its activities, to ensure it complies with the European General Data Protection Regulation.

1.3.2.3. Management of industrial, economic and environmental risks

1.3.2.3.1. Management of risks relating to the land market

The group has developed a management tool for its land reserves so that it can anticipate as early as possible any shortage of land available to carry out its real estate programs. The tool must include any land corresponding to the selection criteria defined by the group (see Section 1.1.8.1. "Selection of land"). The Land Committee establishes the criteria applicable to the land that must be included in the group's land reserves, approves the strategic and financial relevance of programs under consideration and the estimated budget for preliminary expenses, and authorizes the arrangement of land holding guarantees, particularly in the case of unilateral contracts of sale (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 relating to IT systems

The group has set up a business continuity plan to avoid such risks. The plan essentially provides for the prompt recovery of its information systems environment and a back-up center with appropriate work stations designed to be used by the staff affected by any such incidents (see Section 1.3.1.4.3. "Information systems").

1.3.2.4.2. Management of risks relating to human resources

The group is aware of the importance of its employees' know-how and performance. It tries to attract the right people and talent consistently throughout the group by offering ambitious career prospects and building with them a strong corporate culture. To do so, it takes various approaches towards managing its human resources, such as onboarding procedures, training and support for young new hires, 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's Internal Control System includes a process for approving its commitments to a real estate program. The final decision to purchase land is taken by members of the Land Committee. The general rule applied by Kaufman & Broad is that final acquisition of land only occurs if (i) the necessary administrative approvals have been obtained to build the project on the land, free of any third party objections (this last condition applies in most cases), and (ii) the program's profitability as set out in the projected budget has been verified (with respect to the level and status of sales, technical feasibility, cash plan, etc.). For more details see Section 1.1.8. "Land purchases" et seq.

1.3.2.4.4. Management of counterparty risks

The group makes use of numerous suppliers and subcontractors and therefore considers that an insolvency is unlikely to have any material impact on its business. Moreover, the group believes that counterparty risk relating to accounts receivable is limited because of its 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.

Customer-related credit risk is managed by each agency and supervised by the head office. Due to the nature of its business, the group's exposure to customer default risk is low. The due dates of accounts receivable are reviewed monthly.

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

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

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

Under its obligations with respect to the Sapin 2 Law, the group decided to update its Code of Ethics and create two related procedures: the whistle-blowing procedure and the disciplinary sanctions procedure applicable to all the group's employees starting from January 1, 2018. Details can be found in Section 1.7.4.4.1. "Compliance and ethics at Kaufman & Broad".

1.3.3. Insurance

1.3.3.1. Mandatory insurance

In accordance with the regulations governing their business as builder-developers described in Section 1.2.3.1. "Risks relating to regulations applicable directly to the group", the group's companies take out mandatory insurance as required by Law No. 78-12 of January 4, 1978 covering structural work (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 may appear after delivery and are covered by the 10-year guarantee. The benefit of this cover is transferred to customers when their homes are delivered and to their successors upon resale of the property.

This insurance covers the costs of repairing damage, even damage resulting from defects in the ground, that compromises the soundness of the structures or affects one of their basic components or a piece of equipment, rendering them unfit for purpose, or that affects the soundness of the components of equipment that are inseparable from the development, foundation, framing, walls or roof, as defined by Article 1792-2 of the French Civil Code.

It covers repair costs, including any necessary demolition, excavation, installation or removal work once a non-contentious expert's inspection has been conducted within a specific pre-defined time frame. After issuing compensation under such policies, insurance companies usually turn to the builders responsible for the defect and their insurers in order to recoup the amounts paid out.

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

Group companies are also covered by a ten-year "Non-Builder Developer" (CNR) liability 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 if 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 limits of this liability.

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

The group's Structural Defects and Non-Builder Developer insurance policies have been taken out with AXA France IARD and SMABTP since January 1, 2014.

Their cost totaled €7.077 million (i.e. 0.454% of consolidated revenue) in the fiscal year ended November 30, 2018.

Since January 1, 2010, the group companies engaged in project management have been covered by a special Public Works Engineering

insurance 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, 2018 totaled €0.128 million (i.e. 0.008% of consolidated revenue).

1.3.3.2. Other insurance related to group activities

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

1.3.3.2.1. Developer Liability Insurance

The Developer Liability insurance policies are intended to cover Kaufman & Broad against the financial consequences of any liability claims for bodily injury, property damage and/or consequential losses caused to third parties by its business and related services, as well as by persons, movable property, buildings and animals used in the conduct of its business for which it would be liable.

They represented a cost of €0.673 million in fiscal year 2018 (i.e. 0.043% of consolidated revenue).

Since January 2014, coverage for bodily injury, property damage and consequential loss claims for all group businesses has amounted to €75 million (i.e. 4.81% of consolidated revenue).

1.3.3.2.2. Comprehensive Construction Insurance and Real Estate Agent Liability Insurance

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

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

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

Their cost totaled €1.018 million (i.e. 0.065% of consolidated revenue) in the fiscal year ended November 30, 2018.

Real Estate Agent 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. Bodily injury, property damage and consequential losses combined are covered under the same conditions as those described in Section 1.3.1.2.1. "Developer Liability Insurance".

1.3.3.2.3. Directors' Liability

The group has also taken out a Directors' 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

they committed while performing their duties. It also covers defense costs incurred by the insured party for civil or criminal liability in the performance of their duties.

1.3.3.2.4. Fraud and cyber risk insurance

To supplement the existing framework, procedures and information systems in place to prevent these risks, the group has taken out a combined "fraud risk and cyber risk" policy that covers, under certain conditions, civil liability and any costs or losses incurred as a result of fraud or a breach of the group's information systems.

1.4. Current litigation proceedings

Due to the nature of its day-to-day business, the Company is exposed to legal action (civil, administrative, etc.) against it resulting primarily from structural and other defects in its programs, a failure to comply with certain legal or regulatory requirements, objections to building permits obtained, or any other type of action (e.g. administrative authorizations).

A provision has been made for such litigation, calculated on the basis of a risk assessments conducted by the group's Legal Department and its Executive Management working together with the specialist attorneys in charge of the cases.

The most significant current legal proceedings are described in Section 4.1.5. "Notes to the Financial Statements", Note 8. "Provisions for liabilities and charges – Contingent liabilities – Guarantees" et seq. Details about all such legal disputes, be they provisioned and not, are provided only to a limited extent since such information could have a negative impact on the outcome of ongoing litigation.

No other governmental, legal or arbitration proceedings, including any of which the Company is aware, are pending or at risk of being launched and likely to have, or have had, a material impact on the Company's and/or the group's financial position 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".

The Kaufman & Broad group's development expenses mainly relate to property development programs. Development expenses comprise expenses relating to land (commitments to programs for which commitments to buy the land have been signed) and are treated as inventory, as an element of the cost price, when it is likely that the program is going to be developed (see Section 4.5. "Notes to the

financial statements", Note 5.2. "Other property, plant and equipment", paragraph "Research and development costs").

In addition, Kaufman & Broad has an in-house team led by an architect that continually tracks new products suitable for development (particularly single-family homes, eco-designed buildings, ranges of more affordable housing units), and a team of engineers that focuses on improving construction quality (in areas such as soundproofing, heat insulation – RT 2012 Label – PassivHaus standard, and sealing).

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

The group has also positioned itself as a turnkey developer and development promoter by creating a Major Urban Projects Department.

Such urban projects develop a varied mix of programs and consider them on the scale of a whole town or district. They participate in establishing and fulfilling specific innovative objectives relating to the themes of Energy, Mobility, Circular Economy and New Urban Services. The group set up an Architecture-Quality-Innovation Department in September 2015 with the aim of defining a product range that stands out from the rest of the market, meets technical quality criteria and is adapted to new uses.

The Innovation Department is responsible for defining strategies and ensuring that the concept of innovation is incorporated within the group at all stages of program design and program development. Its strategic priorities are as follows:

- **Transformation of business activities and processes** at Kaufman & Broad: in particular, digitizing processes and rendering the customer experience more fluid;
- **Energy:** in particular, energy-producing buildings, energy self-sufficiency and control over energy usage costs;
- **Mobility:** car-sharing in multi-family housing and large programs; smart, abundant and modifiable car parking; mobility offered as a service among its other business activities;
- **Circular Economy** and new urban usages and services, including the use of bio-sourced materials in certain programs and efforts to manage water and biodiversity in its programs and to improve the carbon footprint of its operations;
- **New Urban Usages and Services,** including smart buildings and building management.

The Innovation Department relies on a network of "innovation contributors" consisting of various heads of business lines who monitor, investigate, establish official guidelines and oversee tests on innovations to be incorporated into our processes and programs. It also relies on a network of "innovation contact persons" representing the various business lines in each group Agency; these individuals are also involved in promoting innovations internally and encouraging the transfer of knowledge between Agencies.

Open innovation also involves partnerships with start-up incubators or accelerators, such as Paris&Co and Immowell-Lab, dedicated to promoting well-being through real estate. Kaufman & Broad is also a premium member of the "Arc de l'Innovation" initiative. Kaufman & Broad therefore takes part in start-up and entrepreneur selection committees.

If any of these start-ups are working on issues that have been identified by the group as priorities, the Innovation Department, in cooperation with one or more agencies, may choose to carry out experiments with them on one or more real estate programs in order to test their solutions and analyze feedback from buyers and/or users. In the event that these experiments prove conclusive, the group may incorporate the solution into its range of services and apply it across all its programs.

On the topic of New Urban Usages and Services, for example, following nine months of tests, Kaufman & Broad announced that it was setting up a shared platform proposed by the ChouetteCopro start-up for all its upcoming 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 eases the flow of communication between occupants, the managing agent, the co-ownership Management Committee and companies operating within the same condominium. Testing has continued in Kaufman & Broad's regional agencies.

The group has identified "well-being through real estate", Immowell-Lab's main theme, as a lever of innovation. It is looking into various alliances to carry out tests in order to broaden Kaufman & Broad's range of services.

On the topics of Energy and Mobility, Kaufman & Broad is working with a car manufacturer with the aim of developing and testing mobility services (e.g. shared mobility, electric vehicles and energy services). 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 make real estate programs more accessible and the daily journeys of buyers and users easier 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 associated carbon emissions.

One of the group's priorities with respect to the Circular Economy is to design and build using wood, a sustainable and bio-sourced building material that is ecological, healthy and has a small carbon footprint. A partnership has been forged with a construction company specializing in wood technology that designs, manufactures and sells bio-sourced industrial construction panels. This partnership culminated in Bordeaux with Silva, a 17-story 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 a large amount of purchases to build up its inventory and stock supplies for the work in progress related to its programs. Inventories for 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 building and developing show home areas, land expenses, and the fees and commissions inherent in the agency agreements executed by Kaufman & Broad in order to sell its real estate programs. The group sells all its development programs on a sale-before-completion basis, which means that the title to the land and the building is transferred to the buyer as and when progress is made on the construction process. In addition, revenue are recognized in accordance with, among other things, the terms set out in IAS 11 standard "Construction Contracts" as regards recognition on a percentage-of-completion basis, i.e. pro rata to technical completion, the starting point of which is the acquisition of the land, and progress on sales (execution of the deeds of sale) for each program. As a result, the inventory of current programs decreases as construction stages are completed, based on projections made for each program (see Section 4.1.5. "Notes to the financial statements", Note 3.4. "Inventories").

Setting aside 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 administrative buildings (purchases of office furniture and equipment, etc.) – see Section 4.1.5. "Notes to the financial

statements", Note 5.3. "Property, plant and equipment" et seq. of the notes to the Consolidated Financial Statements). These operational investment flows amounted to €8.2 million in 2018 for the entire group compared with €5.8 million in 2017 and €6.4 million in 2016;

- investments made with a view to carrying out external growth operations aimed at expanding the group's business activities. These investments are made either 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 shareholdings (investments in joint development programs). These transactions are treated as financial fixed assets and recognized as "Equity affiliates and joint ventures" in the group's balance sheet. The book value of equity affiliates and joint ventures corresponds to the share of the net equity position 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 4.1.5. "Notes to the financial statements", Note 2.1.2. "Equity accounting of joint ventures and affiliates" et seq. of the notes to the Consolidated Financial Statements).

Setting aside the investments and stake purchases mentioned above, the group made no other major investments during fiscal year 2018.

1.5.3. Current and future principal investments

There are no significant ongoing investments.

The group does not rule out the possibility that it might pursue its external growth policy provided that such acquisitions meet its financial criteria and are consistent with its general strategy.

1.6. Main subsidiaries and equity affiliates

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

1.7. Statement on non-financial performance: Corporate social responsibility at Kaufman & Broad

By 2050, six billion people worldwide will be living in urban areas, according to UN Habitat forecasts. These projections 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

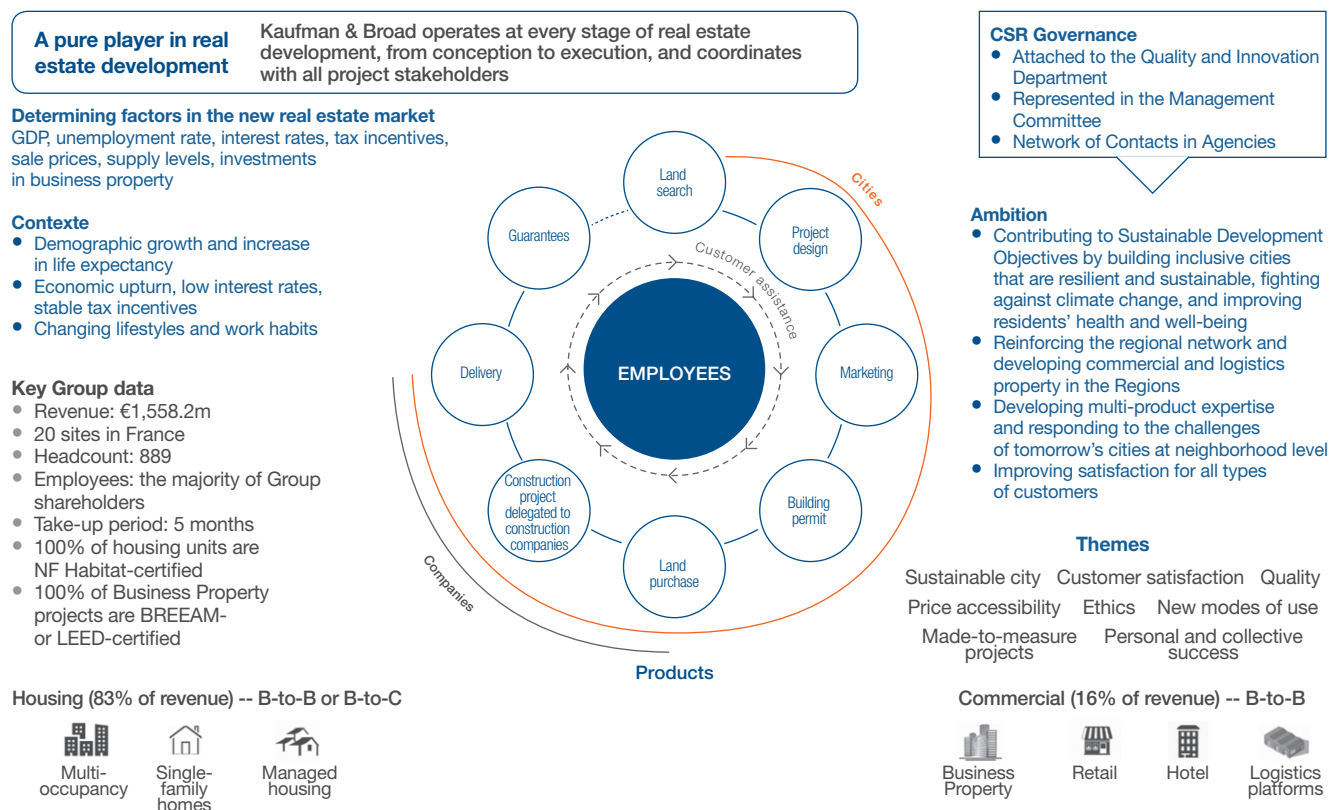
- "Take urgent action to combat climate change and its impacts".

In accordance with Article L. 225-102-1 of the French Commercial Code, revised after the transposition of Directive 2014/95/EU as regards disclosure of non-financial information and set forth in Decree no. 2017-1265 on the publication of non-financial information, the group is publishing this information for its 2018 fiscal year. In accordance with Decree no. 2017-1265, Kaufman & Broad also has this information verified, under the terms stipulated in the Order of September 14, 2018. Therefore, the content and format of the CSR information published has changed to provide a description of the group's business model, the primary risks associated with its operations and the policies put in place to reduce and manage these risks, as well as the results of these policies.

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 organization of the "Sustainable Development" section describes the challenges and risks identified and explains how the group's strategy takes them into account.

Group business model

The group's business model, presented below, was defined in consideration of the recommendations issued by the European Commission in its Guidelines on non-financial reporting (methodology for reporting non-financial information, 2017/C 215/01) and by the International Integrated Reporting Council (IIRC) in its International Integrated Reporting Framework in 2013.



This depiction of the group's business model is not meant to be exhaustive; rather its aim is to illustrate the group's business cycle, its products and the commercial environment in which it operates to enable an understanding of the challenges and risks discussed in this section. Section 1.1. of this Registration Document also provides further details on the essential characteristics of the business, as well as the group's operations. Furthermore, Section 2.1. of this Registration Document introduces the group's key business indicators.

Special terms are defined below:

- Pure player: a company that only operates in one business sector – real estate development in the case of Kaufman & Broad, which does not engage in land holding, building or management;
- New uses: changes in the way people live and work which affect their uses and the characteristics of buildings;
- Affordability: Products that meet the criteria of financial and tax profitability for investors and of creditworthiness for first-time buyers;
- NF Habitat, BREEAM, LEED: certifications for the real estate sector that acknowledge the environmental, technical and ease of use qualities of a building and are awarded by an external certifying body. These certifications are, in order of their appearance in the list: French, British and American designations.

CSR risk assessment

The Company mapped its CSR risks through an analysis of the social and environmental consequences of its operations and the effects of its activities on human rights, anti-corruption and tax evasion; an analysis of

existing processes and documents; a sector-wide study; and interviews with the group's managers and senior executives.

The risks identified were evaluated according to a defined grid, in consideration of the impact, likelihood of occurrence and time horizon (speed of realization of the risk) to establish a rating of net risks:

- either the risk is deemed to be properly 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.

The most important risks identified within this dedicated map pertain to employee loyalty and talent retention; customer satisfaction; objections to projects; unexpected events linked to land, climate conditions or the quality of work during the construction phase; serious construction site accidents; supplier default; and the degree of dependency on suppliers. These risks, as well as how they are handled and monitored, are detailed in the in this section.

Corruption is addressed in a specific mapping and with a dedicated management process.

The CSR risk mapping was established by a specialized firm during the 2018 fiscal year.

1.7.1. Group CSR policy

Description of the group's activities

For 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 Commercial 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:

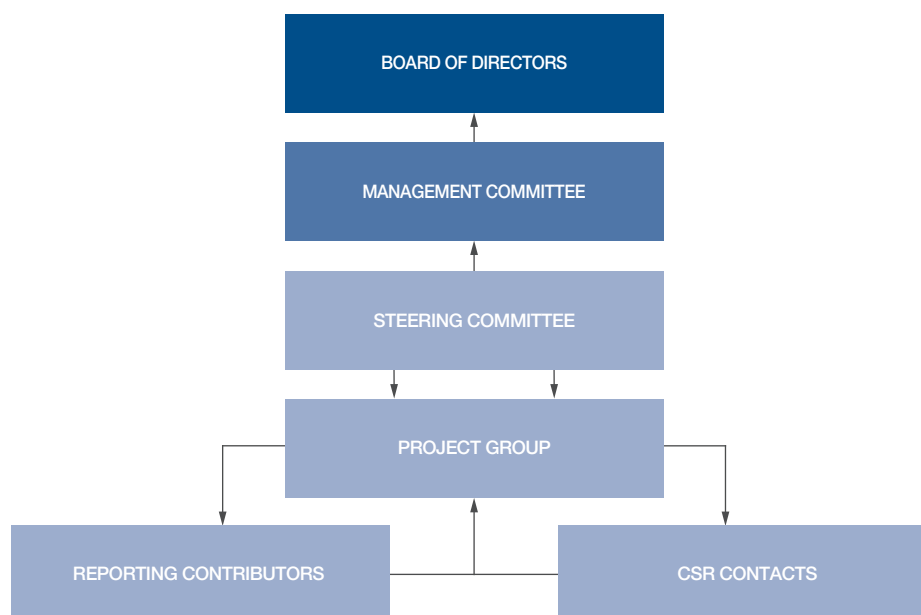
- identifying land for acquisition and land development;
- designing buildings;
- overseeing construction/development; and
- delivery and customer service.

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 developer'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 (on-site sales offices), Boutiks (multifunction and multi-program 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 Management 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 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 the expectations of external stakeholders as much as possible.

To fully embed the improvement of non-financial performance in the group's strategy, the results of these assessments are factored into the CEO's variable compensation objectives on the terms described in the report presented in Section 9.5. of this Registration Document.

In 2018, the group placed again in the GAIA index by ranking 14th of the 70 best businesses in the selection of 230 small and mid-caps reviewed.

Kaufman & Broad also participated in the Carbon Disclosure Project which contributes to thinking on the group's environmental strategy and to more general ratings that assess various facets of its CSR policy.

The non-financial information printed in this section is verified by Deloitte, which expressed a reasoned opinion on the compliance of the Statement on non-financial performance (dated September 14, 2018).

CSR performance assessment

Since 2017, Kaufman & Broad has had its CSR performance assessed by reputable rating agencies, whose results are used by investors.

1.7.2. Environmental challenges relating to business activities

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 of December 13, 2000, municipalities define Local Zoning Plans (*Plans Locaux d'Urbanisme* or PLUs) and 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 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 to 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 2018, training courses entitled "Soil surveys: how to analyze a report", and "Management of polluted sites and soil" were thus provided to employees.

Discovery of archaeological 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 Archaeological Research or by a municipal service provider. If archaeological 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 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 2018, 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. 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 area (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 Habitat 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 2018, 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 is reporting data for 51% of the construction projects completed during the 2018 fiscal year.

The consumption reported is that paid for on a pro rata basis for 51% of the construction sites, excluding JVTs, which had achieved 100% technical progress during 2018. This consumption was 70,753 m³ of water, 8,785,382 kWh of electricity and 88 m³ of fuel oil for 45 construction sites, which amount to 276,368 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, 2018.

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).

In 2018, training courses on NF Habitat and NF Habitat Certification Contacts were offered to employees.

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 2018, 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, 37.8% are RT 2012 – 10% and 1.9% have thermal performance of RT 2012 – 20%. The 2012 thermal regulations (RT 2012) are close to the Low Energy Consumption Buildings (*Bâtiments Basse Consommation* or BBC) requirement of around 50 kWh/sq.m/year.

35% 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."

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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 BBCA), 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 estimated them based on sector-wide benchmarks (HQE, CSTB, ADEME), which use values corresponding to the "Products and equipment" items implemented during building construction.

The BBCA 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 completed in 2018, estimates by type of product are shown below, with the comparative data for 2017. For 2018, the construction phase of products delivered represented 288,836 MTCO₂ eq. for 540,887 sq.m delivered.

m ² built ^(a)	Emissions of products delivered in 2018 during their construction phase (MTCO ₂ eq.)		Emissions of products delivered in 2017 during their construction phase (MTCO ₂ eq.)	
	2018	2017	2018	2017
Apartments	395,297	207,531	294,437	154,579
Managed housing ^(c)	46,424	24,373	15,986	8,393
Houses	12,605	5,357	13,397	5,694
Offices	49,050	31,883	29,845	19,399
Retail	0	0	5,200	2,860
Logistics ^(c)	37,511	19,693	0	0
TOTAL ^(b)	540,887	288,836	358,865	190,925

(a) Calculation upon completion.

(b) Excluding land/lots to build.

(c) 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 and Business 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. "Kaufman & Broad housing support").

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.

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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) had already been implemented for commercial buildings in 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.

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 won a competition for a BEPOS building in the Amédée Saint-Germain district in the Euratlantique ZAC, near the Bordeaux train station, which is slated for delivery in late 2021.

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 Business 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 Commercial 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 also completed the regional headquarters of EDF, comprising 4,500 sq.m of wood and concrete, which was delivered in Bordeaux in early 2019.

Kaufman & Broad 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 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 Sections 1.7.2.6. “Saving resources” and 1.7.4.3.2. “Sustainable involvement with communities”, subsection “Contribution to urban renewal and redevelopment of brownfield sites”).

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-Commercial 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.

Line item	Description
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.

1.7.2.4. Impact of administrative activity

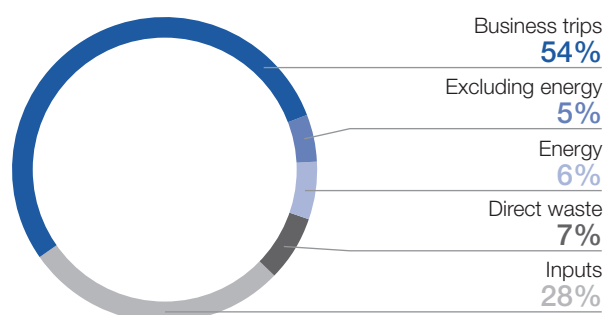
Kaufman & Broad takes into account the environmental impact of its administrative activity in order to raise awareness and mobilize its employees about objectives for the reduction of energy consumption and carbon emissions.

The Greenhouse Gas Emissions Assessment of the Kaufman & Broad GIE

In 2015, the group conducted a Greenhouse Gas Emissions Assessment (BEGES) covering all the activities of the GIE, which will be updated in 2019. 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



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.

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Carbon footprint for business travel in 2018

In 2018, the group decided to assess greenhouse gas emissions for its employees' business travel. The analysis covered the business trips made with company cars, employees' personal vehicles, by train and by plane.

The methodology used to carry out this carbon assessment for the 2018 fiscal year was updated to incorporate the "upstream" line in addition to

the "combustion" line in the emission factors used in order to align the calculation methods with environmental reporting best practices and with the Carbon Disclosure Project.

The emission factors were taken from the ADEME Carbon Base.

In total, around 2,457 tons of CO₂ equivalent were emitted in 2018 for business travel. Vehicles were the main CO₂ emitters, accounting for 85% of emissions.

Type of transportation	MTCO ₂ eq.	Distribution
Car	2101.46	85.5%
Train	4.13	0.2%
Plane	351.61	14.3%
Total group	2,457.20	100%

Aware of the significant share 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. The group's agencies are equipped with videoconferencing systems, except for Serge Mas Promotion sites. 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.

implemented throughout the new building stock, such as the universal use of scan-to-email 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. To date 95% of the server inventory 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.

Some of the group's IT infrastructure has been outsourced to secure the information system, streamline costs, lower energy expenses 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.

Reducing our paper consumption and energy bill

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

The entire inventory of multifunction printers (MFPs) has now been replaced. The models selected have been chosen for their eco-efficiency: they are Energy Star certified and only consume one 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

Total print volume

(in thousands of pages)	2018	2017 ⁽¹⁾
Black and white photocopies	2,697	2,731
Color photocopies	7,275	7,090
TOTAL GROUP	9,972	9,821

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 January 25, 2017 to January 25, 2018.

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

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)	Gas consumption (kWh)
2018	857	8,578	1,715,130	123,529

The Boutiks and local offices are not included in the scope of reporting.

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	2018
Scope 1	Business travel by company vehicle (company car fleet and TOTAL cards – combustion)	1,372
Scope 2	Energy consumption at administrative sites (combustion)	73
Scope 3	Business travel by personal vehicle, train or plane	727
	Business travel by company vehicle (company car fleet and TOTAL cards – upstream)	359
	Construction phase of various product types	288,836
	Energy consumption at administrative sites (upstream)	23
TOTAL GROUP		291,390

1.7.2.6. Saving resources: raising awareness about 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 footbath for horses has been preserved and transformed into a rest area adorned with aromatic plants.

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 2018, around 52 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 2018, 535 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. Building with employees: the group's Human Resources policy

Employees: our biggest shareholder

At November 30, 2018, the Kaufman & Broad comprises the largest bloc of shareholders in the group with nearly 13% of share capital held (Artimus Participations, Kaufman & Broad FCPE and KB Actions 2017).

An expression of the belief that the group's economic growth must be driven by its employees, the employee shareholding program enables everyone to have a stake in the future development of the group's earnings and reinforces their sense of belonging within the group.

The Human Resources mission

The mission of Human Resources is to support the group's growth by drawing on its employees, who are the most important drivers and shareholders of Kaufman & Broad. The Kaufman & Broad vision is based on the simultaneous development of individuals and the strength of the whole.

Working from the belief that each person's talent makes a difference, training and development play a central role throughout the careers of employees at our group.

The actions of the Human Resources team are organized around the following areas of focus:

- ensure that the group's organization is always matched to its objectives and hire the best talent to reach its goals;
- encourage the on-boarding of new employees as soon as they are hired and help them embrace the group's culture;
- detect and develop employee potential;
- apply a remuneration policy that combines external competitiveness with internal equity while ensuring equal pay for men and women in equivalent positions with equivalent profiles.

Human Resources support all developments in the Company, its organization and its business lines. One such example is the creation of the "Urban Projects and Innovation" office within Business Property, which entailed hiring experts, integrating new business lines and spreading the urban project and competitive bidding culture to the local agencies. This type of change mobilizes HR practices such as talent identification and recruiting and employee training and development.

Human Resources and all the group's managers are dedicated to sustaining the commitment of every employee by listening to expectations and ideas for improvement. We all share the same goals of progressing and securing the group's economic performance over the long run.

1.7.3.1. Recruiting and on-boarding

Recruiting and relations with schools

Recognizing the importance of attracting talent and offering them attractive career paths, Kaufman & Broad is always seeking to enrich its recruiting pool. To this end, the group pursues a diverse recruiting policy founded on several principles, including close partnerships with the prestigious engineering school ESTP and Université de Dauphine (where it sponsors the Master's 246 Finance – Real estate management track) and a significant presence within organizations such as ESPI,

Mines d'Alès, *Forum des métiers de l'immobilier* and *Hautes Écoles Ingénieurs* in Lille.

Kaufman & Broad maintains close ties with target schools who train students for careers in real estate development and services. The partnership formed four years ago with the engineering school *École Spéciale des Travaux Publics* (ESTP) was enhanced in 2018 with the sponsorship of a disabled student. The group has also forged a strong relationship with the *École Supérieure des Professions Immobilières* (ESPI) over the years. We arrange résumé coaching sessions and interviews for students at the different ESPI campuses in Paris, Nantes, Marseille and Lyons, as well as round tables tackling a variety of issues in our industry.

To diversify our sources of recruitment, we also reward employees who refer a successful candidate for co-option with a donation to be given in their name to one of the group's partner associations.

Including young people in the Company and allowing them to get their feet wet through internships, summer jobs, work-study programs and first jobs for recent graduates is one of the group's objectives.

The group hired 48 young people as interns or under professional development contracts in 2018. With approximately 6.7% of its staff on work-study programs, the group exceeded its target of training a number of young workers equivalent to 4% of its total headcount, a commitment formalized in the intergenerational employment agreement. Moreover, this percentage speaks to the dynamism and expansion of our relationships with schools. These students are a preferred recruiting pool for the group which, in 2018, hired three of these students on fixed-term contracts and eight on permanent contracts.

In the same vein, Kaufman & Broad is still committed to the *Fondation Espérance Banlieues*, under the auspices of which is sponsoring two classes for their entire middle school cycle.



In 2018, a total of 201 employees were hired on fixed-term or permanent contracts.

Of the new hires in 2018 on fixed-term or permanent contracts, 48.3% were under the age of 30.

An on-boarding program for everyone

Kaufman & Broad continues to prioritize the goal of forming a lasting relationship with each new hire. To do this, a personalized on-boarding program is set up for each newly hired employee, which gives each person the keys to success from an operational point of view and in terms of understanding the group culture.

The on-boarding program, which is completed within the first few months of arrival, includes one-on-ones with the employees who make up the new hire's ecosystem and representatives of the various functions; "A day in my life" experiences with employees in the same position; a designated mentor; a quiz on the group's identity, business activities, projects and values; a welcome path on the KB Learning platform; training on the operational tools; and a "Happy Connected" module on disconnecting and wellness.

In addition, a day-long seminar at group headquarters is held several times for all new managers hired during the year. 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.

For the first time in 2018, employees on work-study programs also benefited from an on-boarding process that included a welcome seminar and a tour of a worksite. This kind of initiative gives them a chance to learn and discuss and fosters the creation of a workplace network while facilitating the transition to the professional world.

1.7.3.2. Cultivating potential: emphasizing training and development throughout the career path

Developing and supporting employees throughout their professional experience are critical to the success of Kaufman and Broad.

Regardless of their business line, position and initial training, each employee is encouraged to be agents of their own professional growth.

Annual performance reviews

The annual performance review is a unique opportunity for sharing, assessing skills, evaluating performance, setting new goals and identifying appealing training options. Individual requests are expressed and incorporated in the training plan in light of the group's goals and after discussions with management.

In 2018, 95% of annual performance reviews were completed (90% in 2017).

Training

Kaufman & Broad believes that developing its employees is a major driver of its performance and has built out a training offer focusing on the following areas which make it possible to:

- promote the dissemination of the group's culture and the on-boarding of new employees;
- accelerate skills transfer and sharpen skills in strategic business lines;
- bring out the potential in each employee.

In a rapidly changing market, within our organizations with short reporting lines and fast decision-making circuits, 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.

In-person training

The group has invested 0.59% of its payroll in training, with Real Estate, Technical and Sales and Marketing staff in particular. We delivered 6,377 hours of training (excluding KB Learning), or an increase of 6.5% compared to 2017.

In 2018, nearly half of employees, or 430 people, attended training, of whom 202 were women and 228 were men (versus 408 in 2017). The group is also continuing its initiatives for women in key business lines.

KB Learning

To adapt to new ways of learning and the fact that our employees often move around, the group is carry on with its efforts with the digital training platform.

Kaufman & Broad offers all employees (permanent contract, fixed-term contract, work-study programs and interns) an array of innovative professional development resources for ongoing, interactive education that can be accessed at any time.

The pedagogical content of KB Learning is organized to support three main objectives:

- 1) dissemination of knowledge linked to Kaufman & Broad's core business;
- 2) development of soft skills and managerial skills (leadership, collaborative work, agility, project management, etc.);
- 3) work-life balance.

The KB platform debuted in 2016 and has ramped up in the last two years: the number of e-learning training hours increased by a factor of 4.3 between 2017 and 2018 and 77% of employees (versus 30% in 2017) are now users of the platform.

In 2018, 1,671 hours of online training were completed (390 in 2017), with an emphasis on the commercial modules (certification of sales representatives as financing advisors).



49% of employees attended in-person training

77% of employees completed training on the digital platform

Promoting internal transfers

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.

Transfers within the group are a way to support our growth, ensure the dissemination of knowledge and create a network of relationships through the various agencies and entities of the group.

Internal transfers are the result of several actions: the development of employees' skills through the training they complete and the responsibilities assigned to them, the annual performance review, the career meeting with HR staff, real-time access to group opportunities via the intranet and measures to assist with geographic relocations.

1.7.3.3. Compensation policy

Principles

The Kaufman & Broad compensation policy was conceived to support attainment of the group's objectives. We want to attract and earn the loyalty of top talent, offer motivating career paths and encourage employee performance and engagement while contributing to the growth of our business lines and volumes. Economic performance and employee performance are closely linked.

While sticking to the goal of controlling its operating expenses, Kaufman & Broad also wishes to offer each of its employees a compensation policy that combines external competitiveness with

internal equity and that rewards both individual and group performance. We take care to guarantee fair compensation and to prohibit any discrimination so that employees with equivalent profiles and positions receive the same compensation.

The salary policy is articulated at annual salary reviews, which are held as part of a structured, uniform process founded on a factual and objective assessment of contributions and performance. This review is conducted with all managers and the Human Resources Department.

Individual Employment Summary

Every two years, Kaufman & Broad gives each employee a document that traces the evolution of their compensation and its components in the interest of clarity and transparency. This Individual Employment Summary highlights all the benefits put in place for employees, such as training, the group Employee Savings Plan, employee shareholding and referral bonuses donated to associations authorized by Kaufman & Broad in the framework of its philanthropy policy.

Compensation structure

The compensation structure is identical for all employees:

- fixed compensation;
- variable compensation;
- long-term incentivized compensation in the form of a free share distribution plan, subject to approval by the Annual Shareholders Meeting, for all employees. Kaufman & Broad has opted for a universal plan that enables all employees to benefit.

Each employee is invested in the Company's performance through their variable compensation and through the awarding of bonus shares. The culture of variable compensation is strongly rooted within the group.

A closer look at the different types of compensation:

- fixed compensation is reviewed against an external benchmarks with an external firm for managers and against an internal analysis of compensation consistency according to business lines and years of experience in the position;
- variable compensation is differentiated by business lines and levels of responsibility.

Senior executives and directors of operation receive annual variable compensation. This variable compensation is based on targets and is measured against a set of criteria; 70% of its value is based on quantitative factors and 30% of its value is based on qualitative factors, except in special situations. A performance calculation scale is established and capped at 120%.

Employees who work in development, programs and sales activities have business-specific quantitative variable compensation based on annual objectives. Other employees are eligible for an end-of-year bonus whose amount is negotiated with trade union representatives during mandatory annual collective bargaining;

- long-term incentivized compensation consists in bonus shares distributed according to a plan approved by the Annual Shareholders Meeting. The individual allocations are based on employee categories and levels of responsibility.

Average annual compensation ⁽¹⁾ and payroll taxes

(In €)	2018			2017		
	Men	Women	Average	Men	Women	Average
Employees	67,266	40,901	47,242	61,632	41,457	46,457
• base salary	26,593	27,753	27,474	26,214	27,495	27,184
Managers	87,988	62,577	77,796	89,974	61,163	79,081
• base salary	61,769	46,132	55,497	62,103	45,432	55,800

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

This compensation is presented exclusive of the compensation of corporate officers which is described in Section 3.2. "Executive compensation".

The group's average gross annual compensation (excluding employer contributions) was €67,572. This figure was stable compared to 2017 (€67,478).

The diversity of careers at the group results in a dispersion of compensation according to business lines. Therefore, these averages are purely indicative and should be interpreted with caution.

The payroll taxes booked for 2017 and 2018 were €31.5 million and €31 million respectively (the payroll taxes paid in 2017 included charges on bonus shares vesting in 2017).

Bonus share plans for employees

As described in Section 3.3. of this Registration Document, Kaufman & Broad has implemented long-term plans for its employees and managing corporate officers. For some of the employees who receive variable compensation, the performance criteria applied for the definitive awarding of their shares are the objectives for their variable compensation in cash.

There are two objectives underlying these allocations:

- motivate employees and give them stake in the future growth of the group's earnings;
- reinforce the sense of belonging felt by managers and associates by fostering their long-term loyalty against a backdrop of strong competition for talent.

Depending on business lines and levels of responsibility, the acquisition of shares is contingent on the attainment of performance and/or attendance targets.

Group Employee Savings Plan

To promote employee saving under advantageous financial and tax conditions, Kaufman & Broad set up a group Employee Savings Plan (*Plan d'Épargne Groupe*, or "PEG") open to all employees (see Section 3.3.2. of this Registration Document). It consists in five company mutual funds ("FCPE"), including a "Kaufman & Broad Actionnariat" fund which invests in Kaufman & Broad shares and is covered by a contribution matching program, and a "KB Actions 2017" fund, which was opened as part of a 2017 shareholding offer backed by an increase in the share capital of Kaufman & Broad SA and closed to new investments.

At November 30, 2018, employees held, mainly through the various FCPEs of the group Employee Savings Plan, 522,249 shares in the Company, or 2.39% of Kaufman & Broad's capital.

Incentive bonuses and profit-sharing

There are no incentive bonus schemes or profit-sharing agreements in place at Kaufman & Broad. However, each employee is invested in the Company's performance through their variable compensation and through the awarding of bonus shares.

1.7.3.4. Employee protections and innovation

Kaufman & Broad aims to ensure that each employee has a peaceful, protected work environment in which they can find personal and professional fulfillment. It believes that sustainable growth must be combined with a high level of HR performance.

Social welfare

The goals of Kaufman & Broad are to ensure that employees and their loved ones have high-quality healthcare coverage and contingency benefits in the form of financial protection for the most difficult moments in life.

The contingency benefits extended to all personnel include educational annuities and death, accidental death and work incapacity/permanent disability benefits. With regard to healthcare expenses, employees enjoy very broad coverage on par with the highest standards on the market.

The group has 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.

Kaufman & Broad's contributions for additional insurance and health care coverage in 2018 amounted to €1,777,000.

Work-life balance: the right to disconnect

As already mentioned, Kaufman & Broad pays particularly close attention to quality of life at work. In pursuit of this goal to ensure 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 employees as a whole in a positive approach of listening, goodwill and progress.

An agreement on the right to disconnect was signed with the trade union organizations to enhance quality of life at work, promote a work-life balance and adapt our working methods to changes in behaviors by encouraging respectful modes of interaction and ensuring adherence to laws pertaining to work time and respect for privacy.

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: time off, leave and suspensions of employment contracts must be respected by all the Company's employees.

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 depending on the people concerned.

Management of individual connection/disconnection of these 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.

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 virtual communication 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 help better manage the volume of information, best practices in the use of email and remote tools should be shared.

INFORMATION ABOUT THE GROUP'S BUSINESS ACTIVITIES

Statement on non-financial performance: Corporate social responsibility at Kaufman & Broad

Quality of life at work

Kaufman & Broad's goal is to offer its employees high standards when it comes to quality of life at work and to contribute to each person's professional and personal fulfillment.

- With regard to food services, the group's contributions (restaurant vouchers and employer contributions to the cafeteria) were €861,000 in 2018.

- Ergonomic review of work stations are carried out to design customized work stations for the employees concerned and to train them on proper movement and posture.
- The rate of absenteeism due to illness is included in the assessment of quality of life at work. The steady decline in this rate since 2016 reflects an improvement in health and well-being at work.

Absenteeism by reason ⁽¹⁾	2018	2017	2016
Sick leave	3.18%	3.10%	4.09%
Workplace and commuting accidents	0.11%	0.11%	0.01%
Maternity leave	0.76%	0.97%	1.39%
Family events	0.22%	0.14%	0.35%
TOTAL GROUP	4.27%	4.31%	5.84%

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

The rate of absenteeism due to illness was stable from 2017 to 2018. Long-term sick leave (i.e. employees who have more than 100 sick days during the year) accounted for more than half the rate of absenteeism due to illness.

In 2018, there were seven workplace accidents (of which four resulted in work stoppage) and nine commuting accidents (of which four resulted in work stoppage). These led to 223 calendar days of absenteeism due to workplace accidents and 90 calendar days of absenteeism caused by commuting accidents.

Workplace safety

Safety is a core concern at Kaufman & Broad. Employees are present at our construction sites as visitors, project managers or coordinators of services with partners, providers and customers.

We ensure that all safety regulations are followed by third parties and by our own employees. Each employee has personal protective equipment. In addition, a procedure is distributed to all employees to remind them of the mandatory rules to follow at a worksite.

Regarding conditions at the worksite, 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 construction work and verifies that safety measures have been applied in accordance with legal and regulatory obligations.

In 2018, no cases of occupational illness were registered.

In 2018, in addition to training first-aiders and providing personal protection equipment, the group continued installing defibrillators in its agencies: 101 people were trained to use the defibrillators so that each geographic site has the skills needed to use them.

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. To this end, the group allows employees to benefit from special discounts.

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.

1.7.3.5. Human Resources report

1.7.3.5.1. Workforce data

Total number of employees

At December 31, 2018, the group employed 889 people (855 at December 31, 2017), 461 women and 428 men, through an Economic Interest Grouping (GIE) that has combined all the group entities in France since January 2008.

67% of the employees are managers and 52% of them are women (versus 51.2% in 2017).

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.

Breakdown of workforce by age business line, age range and gender

Since 2017, the data published cover the GIE, as well as the companies Serge Mas Promotion acquired on December 22, 2015, and Seri Ouest, acquired on June 23, 2016.

The operations of KETB Partenaires (pertaining to commercial partnerships with other real estate developers) now appear in the report.

The most significant change concerns the land development business lines (20 more employees than in 2017), which supports the group's

growth objectives. In parallel, and to meet the goal of sustainable growth, organizational optimization efforts were carried out, particularly in the sale and marketing functions (11 fewer employees compared to 2017).

Breakdown of workforce by function at December 31, 2018

	2018	2017
Land development	122	102
Programs	106	104
Technical & Customer Service	235	220
Marketing/Sales	196	207
Regional support functions	110	106
Corporate support functions	120	116
TOTAL GROUP	889	855

Breakdown of workforce by age at December 31, 2018

	2018	2017
Under 24	34	23
25 to 29	137	131
30 to 34	138	138
35 to 39	137	139
40 to 44	111	112
45 to 49	110	101
50 to 54	97	98
55 to 59	87	66
Over 60	38	47
TOTAL GROUP	889	855

Subcontracting

The group is especially vigilant when it comes to outsourcing conditions and adherence to legal provisions governing both employment and human safety.

The procedure for formalizing such contracts requires systematic verification that the subcontractor is current with its Social Security contributions. The legal representatives must also sign a sworn statement attesting that they do not employ any undocumented workers (see paragraph 1.7.4.4.2., "Purchasing and outsourcing").

1.7.3.5.2. Employee arrivals and departures

With a turnover rate of 18.5% – down 1.8 points – the group has seen an improvement in the stability of its teams. It should be noted that the workforce grew 4% over this period, which also explains this relatively high turnover rate.

Breakdown of workforce by entity at December 31, 2018

	2018	2017
KB SA	158	153
Business Property	33	29
Île-de-France	245	239
Nantes	41	45
Rennes	5	8
Flandres	14	10
Caen	11	12
Lyon	61	53
Annecy	21	16
Nice	25	23
Toulon	25	28
Marseille	52	52
Montpellier	26	24
Toulouse	93	85
Bayonne	10	15
Bordeaux	36	36
Seri Ouest	10	10
SMP	20	17
KetB Partenaires	3	–
TOTAL GROUP	889	855

Arrivals

In 2018, Kaufman & Broad hired 201 employees, including 166 on permanent employment contracts (222 hires, including 195 on permanent contracts in 2017).

125 managers, 67 employees and 9 salespeople were hired.

Of the 201 employees hired on fixed-term and permanent contracts in 2018, 97 were under age 30 at the time they joined the group, i.e. 48.3% of the employees hired.

In 2018, the group signed or renewed 48 apprenticeship and professional development contracts. At December 31, 2018, the group had 64 work-study participants who form a pool of young people prepared to join the teams as opportunities arise.

Departures

	2018	2017
Number of departures (resignation, termination of employment contracts by mutual agreement, lay-off, termination of trial period (permanent contract))	149	140
Of which resignations (permanent contract)	80	64
Of which lay-offs (permanent contract)	9	22

The resignation rate was 9.4% in 2018 (8% in 2017). It was particularly significant among employees under 30, reaching 14.8% in 2018 (19 resignations). The procedures for on-boarding new hires were reinforced.

Exit interviews are systematically conducted in the case of resignations to analyze the reasons for departure and implement appropriate action plans to strengthen our capacity to build the loyalty of talented employees, especially young people under age 30.

The organizations were updated in 2017, resulting in a promotion and transfer rate of 22%. As a result, 2018 was a year of stabilization and implementation with a promotion and transfer rate of 16%.

Temporary employees

In 2018, the use of temporary employees was very low and in sharp decline: temporary employment contracts accounted for 1.78% of the workforce (3.79% in 2017), i.e. the equivalent of 15.7 people for the year (31.1 in 2017). Temporary staff worked an average of 12.35 days per assignment (13.17 days in 2017).

1.7.3.5.3. Work organization

At the head office and within each agency, work is organized in compliance with applicable legal and contractual obligations.

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.

Working hours for part-time employees

At December 31, 2018, there are 24 part-time staff: 15 non-managerial employees, 6 managers and 3 sales representatives. Of these, 83% are women. 54% of these employees work 20 to 30 hours per week (four-day workweek), mainly on parental leave. All the part-time employment situations are elective.

In addition, 24 employees are entitled to work-life balance related flextime.

1.7.3.6. Labor relations

The work environment at Kaufman & Broad is the result of an ongoing dialogue between management, employees and their representatives, with an attitude of impartiality toward the various trade union organizations.

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 Works Council meet monthly, as well as the Union Delegates. Members of the 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 needed according to legal obligations and the priorities defined by the group.

In 2018, the CHSCT met four times and the Works Council 11 times.

Social initiatives

The Kaufman & Broad group's contributions in 2018 amounted to €495,000.

Collective bargaining agreements

In 2018, the trade union organizations unanimously signed four agreements addressing the following topics:

- salary negotiation;
- establishment of new employee representative bodies (Social and Economic Committee) in application of the Macron Ordinances;
- electronic voting;
- pre-electoral memorandum of understanding (for the March 2019 employee elections).

Over the years, Kaufman & Broad has signed agreements which pertain mainly to organization of work, compensation and working conditions that are conducive to the Company's proper function and performance.

The primary agreements are:

- Agreement of September 19, 2017 on the Right to Disconnect;
- Agreement of October 3, 2016 on Intergenerational Employment and Skills Management Planning (valid for three years);
- Agreement of November 18, 2011, amended by the rider of September 16, 2015 on Professional Gender Equality;
- Agreement of December 2, 2009 for the Retention of Older Employees and the Second Part of their Careers;
- Agreement of November 7, 2006 and its riders on the Organization of Working Time.

A closer look at the Agreement on Equal Opportunities

In a collective bargaining agreement signed on November 18, 2011 then revised by a rider on September 16, 2015, management and its labor partners laid the foundation for professional equality within the group.

These defined four priority areas for action by the group: classification, training, balance between professional life and private life and actual compensation.

This agreement 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 said principle.

Finally, through this agreement, the parties sought 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 equal access to professional training and to opening 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.

A closer look at the Agreement on Intergenerational Employment and Skills Management Planning

In this agreement of October 3, 2016, 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 3, 2016 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 supporting the sustainable integration of younger employees under 30 years of age by specifying the methods for the on-boarding, training and support of this segment of society;
- 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;
- 3) methods to enable transmission of knowledge and skills.

Impact of agreements on economic performance

The commitments to gender equality as well as intergenerational employment, management of employment and career paths contribute to earning employees' loyalty and boosting their engagement by 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. Diversity and inclusion

To ensure that the property development and urban planning projects carried out by Kaufman & Broad correspond to the needs and changes in society, it is essential that its teams reflect the diversity of the world around them and foster inclusion.

Promoting diversity and inclusion in all their forms is a driver of social cohesion and a source of innovation.

Kaufman & Broad encourages work environments in which differences – both visible and invisible – such as age, gender, sexual orientation, nationality, background, religion, education and disability are welcome. The entire company reaps the benefits of cultivating an atmosphere conducive to the development and fulfillment of all employees.

In the interest of continuous improvement, Kaufman & Broad works toward the following objectives:

- guarantee gender equality at all levels of the Company;
- hire more people with disabilities;
- boost cultural and social diversity.

Gender equality: Equal opportunities and treatment

The group presents the action plan carried out in order to meet its commitments to its social partners on an annual basis.

In 2018, the following areas were covered in particular:

- classification: at December 31, 2018, the proportion of women in management is 40%, a slight increase over 2017 (+1 point). Since 2014, all employees and their immediate superiors have been monitored individually and collectively through reviews. In this context, women's talents are identified and their ability to take responsibilities is recognized. Of the 34 promotions to key positions of directors of operations, six were women;
- vocational training: the development of the digital training platform offers women of all professions, including locally based non-management with family constraints, the possibility to access a variety of training sessions in the areas of customer relations and personal development in particular;
- work-life balance: the group responds favorably to all requests for working time arrangements whether they come from men or women: 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. Furthermore, the group signed an agreement supporting the right to disconnect;
- 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 specific actions that must be taken to gradually erase any significant gender pay differences for the same job;

- recruiting women in key positions: of the three Agency Director openings, one was filled by a woman. Of the 14 external hires for the key positions of directors of operations, six were women. In addition, as mentioned above, six women were promoted to key positions.

Policy to promote the employment of people with disabilities

At December 31, 2018, the group employed 13 staff with disabilities at its various entities. As part of its Disability policy and the affirmation of its employer brand, the group participates in different events to recruit people with disabilities (e.g. *handi-café* at the ESTP job fair) and is sponsoring an ESTP student with a disability (tutoring and scholarship covering 90% of annual tuition). Thanks to the efforts made by the Company since 2010, the number of disabled workers employed by the Company increased from 4 to 13 in 2018.

This policy is built around the following key actions: recruitment, employment retention, physical and digital accessibility at the facilities and improvements in employee awareness.

Employees are also encouraged, in the context of their positions, to work with institutions that provide work to people with disabilities (protected and adapted sectors).

Age diversity

GIE Kaufman & Broad entered into an agreement on October 3, 2016 relating to Intergenerational Employment and Skills Management Planning for a three-year period. 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.

This agreement identifies three priorities:

- 1) the commitments supporting the sustainable integration of younger employees under 30 years of age by specifying the methods for the on-boarding, training and support of this segment of society

The Company committed, over the three-year period 2017-2019, to hire 35 people under 30 years of age and to maintain a minimum of 15% of young people on permanent contracts while encouraging workplace gender diversity in the different trades. This goal has already been reached.

Indeed, 94 employees under age 30 were hired in 2017 and 97 in 2018. At December 31, 2018, the group employed 171 staff under the age of 30, of which 10 had fixed-term contracts. At December 31, 2018, this segment accounted for 19.2% of employees on permanent contracts.

The on-boarding, training and support of new hires under age 30 are also objectives which are addressed in this agreement.

In this respect, they participate in a personalized on-boarding program introduced in 2017 to help them quickly assimilate in their new jobs and teams. It includes an on-boarding day at the head office with all new hires, an HR interview, access to the KB Learning platform and a quiz about the group.

The group hired 48 young people as interns or under professional development contracts in 2018. With approximately 6.7% of its staff on work-study programs, the group exceeded its target of training a number of work-study employees equivalent to 4% of its total headcount, a commitment formalized in the intergenerational employment agreement at the GIE. Moreover, this percentage speaks to the dynamism and expansion of our relationships with schools. These students are a preferred recruiting pool for the group which, in 2018, hired two of these students on fixed-term contracts and eight on permanent contracts;

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, 2018, employees aged 55 and over made up 14.1% of the total workforce (13.2% in 2017). 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 telecommuting measures have been implemented to take the work-life balance into account.

As part of the HR 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.

Fighting against discrimination and promoting diversity

The group's policy on professional equality of employment of older employees, employment and integration of workers with disabilities is detailed in the above points. At December 31, 2018, the group employed 13 people with a disability and 125 employees at least 55 years old. Women make up 52% of the group's workforce. 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.

1.7.4. Societal challenges associated with property development

1.7.4.1. Developing customized and accessible offers

Facilitating home ownership: financial accessibility of projects

The group monitors the take-up period for its inventory, which is used as an indicator of how its real estate and commercial policies are performing. The take-up period for the 2018 fiscal year was five months.

The group is attentive to the market and has an internal organization that enables it to adapt and update its products.

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.

Thirteen percent of Kaufman & Broad's customers are first-time homebuyers. To give these customers easier access to home ownership, the group has 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 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.

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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 in numbers	2017	2018
Investor	43%	31%
Block	37%	50%
First-time homebuyer	14%	13%
Second-time homebuyer	6%	5%
TOTAL GROUP	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 2018 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 project, 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.

The 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. The 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 center, 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 examination of personal and professional lifestyles 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 business 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 is a partner of the Immowell-Lab start-up accelerator. The group is therefore interested in the first recognized certification in this field: "Well" certification.

The ORA business 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 user name 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.

In 2018, a training course on "Acceptance, delivery and buyers' guarantees" was offered to employees.

Improving customer satisfaction

Customer dissatisfaction was identified as one of the risks that could affect the group's reputation and results.

The customer satisfaction survey was reworked to refine our satisfaction measurement mechanism by polling homebuyers at different stages in the customer path: after the notary's signature, after the inspection of partitions, upon delivery and one year after delivery. 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.

After the initial surveys, working groups were formed to rewrite the customer path with a constant emphasis on the customer experience and on offering the same level of quality in all agencies. The work resulted in the creation of a transparent, easy-to-read customer path that will be conveyed to all new homebuyers starting in 2019. These surveys also revealed that inspections of partitions and deliveries are key moments in achieving customer satisfaction, pointing to audit efforts and recommendations to improve the way customers are handled at these particular moments. The teams concerned were briefed and this work led to the development of online training materials that are available to all employees. Deployment of these new process began in 2019.

Another point of tension highlighted by these surveys is the release of reserves. The tracking of reserves was improved in 2018 and is flagged for additional work in 2019.

To ensure that the improvement projects undertaken align with the group strategy, the variable compensation objectives for Management Committee members now include a component linked to the results of this customer satisfaction survey.

The group's employees were invited to participate in trainings on customer relations management throughout 2018.

Innovation in products and usage: an innovation strategy that serves the customer

The aim of the innovation 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 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 was conducted 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 economic and social development in its trade areas

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.

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 momentum.

The group also contributes to the financing of public facilities by means of urban planning taxes and through Urban Partnership Projects. Kaufman & Broad is 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 (commercial, research, training) and the "technopolitan" Beaulieu Atalante site. The ZAC project enables a high-density housing zone to be built, combining multi-occupancy housing, Commercial 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 a 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 2018, 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 Human Resources 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.

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 is supporting a group throughout their period of schooling, teaching them about the group's businesses and inviting them on site visits.

In fiscal year 2018 the Kaufman & Broad group made sponsorship donations amounting to €377,400.

1.7.4.3.3. Limiting pollution and establishing dialogue around projects

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.

To involve citizens in the program, the group also seeks assistance from associations, which organize resident participation while taking into account the history of the location and the greater urban context.

These initiatives make it possible to defuse in advance any tension that may arise from a real estate program by emphasizing dialogue from the design phase.

As described in Section 1.1.8.4., despite the actions mentioned above, third parties (associations, local occupants) may challenge the construction and demolition permits by asserting that the permits do not comply with local planning regulations, such as zoning plans and development plans for urban 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 the work load of these courts);
- try to reach an amicable settlement with the applicant, pursuant to which the latter agrees to withdraw all objections.

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 2018, a training course on preventive proceedings and insurance 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.

In 2018, the training course on "Clean, low-pollution construction sites" was offered to the Technical Managers and group foremen.

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 on site;
- 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 track 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

As described in Section 1.3.2.2.1., the group has a Legal Department that is in charge of regulatory and legislative matters, whether they pertain to corporate or operational issues. In terms of operations, it notably provides assistance and advice, to support services and operational services in the framework of putting together real estate programs; this help is of particular value when drafting contracts and calls for tender. On the corporate side, it takes on all aspects of legal monitoring for all group entities, as well as internal monitoring of new standards and regulations and their interpretations with the support of external consulting firms specializing in legal subjects.

Fighting corruption

In the context of obligations arising from the entry into force of the Law on Transparency, Fighting Corruption and the Modernization of Economic Life (known as Sapin 2), the group completed a mapping of its corruption risks, using the same approach that was used for the group's major risk mapping exercise.

This risk map is based on an analysis of potential corruption scenarios based on the group's business sector, after taking into account its existing organization and procedures, to measure the exposure of its processes to the corruption risk. The scenarios analyzed – in light of the group's business sector – include surveying and purchasing land, obtaining administrative authorizations and selecting companies. The existing policies and procedures, as well as measures to strengthen them, are identified and monitored by the Internal Audit Department, in consultation with the Audit Committee. The internal control system is described in Section 1.3.1.3.

The controls applied to financial transactions are described in Section 1.3.2.4.5., excerpted here. 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 the customers. Furthermore, the group exercises strict control over its methods of payments which are all centralized at the group's head office.

The group also updated its Chart of Ethics and created related procedures, including the whistle-blowing procedure and the disciplinary sanctions procedure, applicable to all group employees as of January 1, 2018.

The Chart of Ethics consolidates and formalizes the principles to be applied by the group's employees in the following areas: respect for fundamental rights, responsibilities incumbent on employees, business conduct and relations with shareholders, suppliers, customers and elected officials, all in accordance with the Corporate Social Responsibility initiative implemented by the group. The Chart of Ethics references the existing agreements, procedures and memoranda in these different areas.

The Chart of Ethics is given to new hires and can be viewed by employees on the Company's intranet.

Furthermore, since 2019, the key concepts in the Chart of Ethics are covered in mandatory training provided to all group employees.

Tax evasion

The business activities of Kaufman & Broad are based in France. Kaufman & Broad SA, the group's holding, only owns French companies, either directly or through intermediary companies, all of which are located and registered in France for the 2018 fiscal year.

Kaufman & Broad SA undergoes regular tax audits by the French National and International Audit Department (*Direction des vérifications nationales et internationales*). This most recent tax audit of the holding company, completed in 2017, resulted in zero adjustments.

When the group's CSR risks were analyzed, tax evasion was not identified as a risk.

Data protection

For the purposes of its business, the group collects and uses data supplied by its potential and existing customers, applicants and contractual partners.

In compliance with European Regulation no. 2016/679 on personal data protection (GDPR), the group created a registry of the various data processing operations it performs in the course of its activities.

Within the framework established by the GDPR, there are specific processes for personal data to enable potential and existing customers and applicants to exercise their rights of access, rectification, limitation, portability, erasure and opposition.

A Steering Committee monitors areas of attention relating to personal data and the procedures in place.

The group's information system is protected by restrictions on access, protection rules and security systems that are regularly tested and reinforced.

Recurring information and awareness campaigns are also carried out to educate employees about IT security.

For more on this topic, see Sections 1.2.3.6. and 1.2.4.10. in this Registration Document.

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. They could also have a negative impact on the proper discharge of the guarantees (see Section 1.3.3. "Insurance and risk management" and Section 1.2.1.4. "Risks relating to the insolvency of suppliers and other companies").

In 2018, training on outsourcing and court-ordered liquidation, including administrative dossiers, approvals, reorganization and receivership 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 could also suffer adverse consequences, particularly in terms of its image, if its suppliers and subcontractors breach or violate an obligation.

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.

Moreover, the group systematically entrusts a service provider – usually the Health and Safety Coordinator (HSC) – with a presence control mission to verify that the workers on the construction sites correspond to the personnel declared by the companies

Construction site safety

As a non-builder developer, Kaufman & Broad assigns construction work to third-party contractors from a variety of trades.

In compliance with the Law of December 31, 1993, the Project Owner designates, at the design phase, a Health and Safety Coordinator (HSC), who defines prevention plans at its construction sites in order to identify risks, to inform the various parties at the construction site of the potential risks. Within this framework, companies must also draft their Specific Health and Safety Plans.

The group restricts access to its construction sites to authorized companies (see Section 1.2.1.3. "Risks related to regulations applicable directly to the group").

The group's employees must systematically wear personal protective equipment when they are at a worksite. New and replacement orders for this equipment were centralized in 2018.

The presence of any employee, visitor, customer or partner at a construction site is subject to prior authorization and contingent on the use of personal protective equipment.

The risk of serious bodily injury on a worksite cannot be eliminated completely, in spite of adherence to regulations in effect and adherence to group procedures. If such a risk were to materialize, the technical departments and regional agencies concerned would be systematically notified so they could monitor the incident in conjunction with the companies affected. Depending on the seriousness of the situation, the Legal Department and General Management would also be notified and involved in monitoring the incident.

Any accident causing serious bodily injury at a construction site – even if the group is not liable – could have an impact on the group's reputation.

Quality of execution

As set forth in Section 1.1.4.2. "Products", the reputation of Kaufman & Broad has been mainly 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 reason, the companies are evaluated by the group's technical departments, usually after construction is completed.

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 2018, the top 10 suppliers accounted for 20.7% of flows invoiced by suppliers compared to 21.4% in 2017, and the leading supplier accounted for 5% of flows compared to 5.9% in 2017.

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 the 2018 fiscal year

Indicators used

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

- Article 116 of the NRE (New Economic Regulations) Law of 2001;
- Article L. 225-102-1 of the French Commercial Code, revised after the transposition of Directive 2014/95/EU as regards disclosure of non-financial information and set forth in Decree no. 2017-1265;

- 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.

Scope of non-financial reporting

Scope of group consolidation

The Consolidated Financial Statements of the Kaufman & Broad group at November 30, 2018 include the financial statements of 353 companies, 310 of which are fully consolidated companies and 43 are recognized by the Equity accounting method.

As of November 30, 2018, 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 310 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 43 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 impact in this matter.

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.

The creation of a new business line involving commercial partnerships led to the founding of the Kaufman & Broad Partenaires entity, which is covered in social reporting.

Exclusions

Preventing food waste and food insecurity; animal welfare; and fair, sustainable and responsible eating are not relevant issues in light of the group's business activities and, as such, are excluded.

Methods

The indicators with specific features are presented in detail below.

Social challenges

- Social reporting is based on the registered number of employees;
- The registered number of employees does not include trainees, those under apprenticeship contracts, professional development contracts or temporary employees.
- The new hire and termination figures include the corporate officer;
- The turnover rate for employees on permanent contracts is calculated using the following formula: $(\text{number of permanent contract entries} + \text{number of permanent contract departures}) / 2 / \text{workforce on permanent contracts at the start of the period}$.

Promotion and transfer rate

The promotion/transfer rate is calculated according to the following formula: $(\text{number of promotions or transfers during the year}) / (\text{number of employees at end of period N-1} (= \text{number of employees at start of period N}))$.

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 a permanent contract does not give rise to any departure or hire.
- Several consecutive fixed-term contracts or a transformation from a fixed-term contract to a permanent contract with an interruption to the contract of at least one day gives rise to a departure and a hire.
- Professional development contracts are handled in the same way as fixed-term contracts.

Training

Methodological changes were made to the training indicators for fiscal year 2018 in order to include only employees on permanent contracts and to added sessions linked to on-boarding, which play a role in skills development. The methods for calculating training expenses were also modified for the 2018 fiscal year.

Total hours of training

This figure includes hours billed to the group, as well as hours taught by in-house trainers, whether the sessions covered a specific area of business expertise, the deployment of a new tool or on-boarding days.

Apprentices' hours are not included because apprentices are not included in the headcount.

The Personal Training Account is included if the training is completed during working time, but not individual training leave.

Training hours are booked in the calendar year during which they occurred.

Total hours of online training

This figure includes hours associated with connecting to and viewing the trainings offered on the KB Learning tool.

Share of payroll costs devoted to training

The training budget includes all expenses linked to ongoing education and on-boarding. It incorporates tuition, internal training costs and travel, meal and lodging expenses, as well as ancillary expenses; it excludes salary paid during training, which is included in payroll.

Number of employees who received training

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.

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.

The calculation methods are detailed below.

Absences are recorded in calendar days and a conversion is made into seven-hour working days. 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: $\text{number of hours per week (35)} \times \text{number of weeks worked in the year (47)} \times \text{average monthly workforce}$.

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 risks

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 in either personal or company cars, by train and by plane billed in 2018 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 the 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).

The methodology used to carry out this carbon assessment for the 2018 fiscal year was updated to incorporate the "upstream" line in addition to the "combustion" line in the emission factors used in order to align the calculation methods with environmental reporting best practices and with the Carbon Disclosure Project.

The emissions factors used are those given in the Base Carbone carbon emissions database of the French Agency for the Environment and Energy Management (ADEME). These emission factors were updated in 2018.

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 sector-wide 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 2018 (excluding Total cards), estimates based on the emission factors in the Base Carbone by product type for the construction phase of products delivered in 2018, excluding logistics activity, and the calculation of the emissions produced by the power consumption of the agencies in 2018, 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.

The data reported cover agencies that were open for the entire fiscal year in 2018 and do not include the Boutiks and local offices.

In cases where the data were incomplete, they were estimated based on the consumption of other agencies and weighted relative to the workforce of the agency in question.

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 2018.

The indicator is reported at 51% for construction sites, excluding JVTs, which had achieved 100% technical progress during 2018 and for which Kaufman & Broad handled technical monitoring; it excludes situations in which supplier default made it impossible to retrieve the data.

Societal challenges

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).

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.

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 government.

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.

INFORMATION ABOUT THE GROUP'S BUSINESS ACTIVITIES

Methods used in Kaufman & Broad's non-financial reporting for the 2018 fiscal year

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 verified by Deloitte, under the obligation for control by an independent third party, which issues, in accordance with the Order of September 14, 2018, a reasoned opinion on the statement's compliance with the provisions of Article R. 225-105 and on the authenticity of the information conveyed.



BUSINESS AND FINANCIAL REVIEW

Kaufman & Broad group

2

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2.1. Key Performance Indicators for the Kaufman & Broad group

The Kaufman & Broad group has operated as a property developer and builder in France since 1968. The group's activities are based on two main divisions: 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 Commercial Property (business 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, plus the Lille and Rhine basins, 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

Over 2018, the main characteristics of the macroeconomic situation in France can be described as follows:

- slowing economic pace with GDP growth of 1.6% in France in 2018, (2.3% in 2017). The OECD forecasts confirm this trend for 2019 and 2020, with 1.3% average growth per year; the Banque de France anticipates growth of 1.5% in 2019;
- according to INSEE, the unemployment rate is still falling and now stands at just over 9% (9.1%) of the population in France (excluding Mayotte), the lowest level since early 2009;
- in 2018, household consumer spending on goods fell (-1.5%), contrary to the slight rise in 2017 (+0.7%). Food purchases remained stable in 2018 (+0.5%). Purchases of durable goods continued to grow (1.7% in 2018, compared with 2.9% in 2017);
- consumer prices rose 1.6% in 2018 (1.2% in 2017) according to INSEE's provisional estimate at the end of January 2019. Inflation is still below the European Central Bank's 2% target;
- thus, interest rates have remained at an historically low level, continuing to favor household and business financing.

However, this less favorable economic environment has still supported the growth of the real estate markets in which Kaufman & Broad operates.

New housing market

- Over 2018 ⁽¹⁾, the marketing of new housing units is slightly down, as expected, at -1.9% versus the same period in 2017 (127,964 sales at the end of 2018 versus 130,474 sales at the end of 2017).
- In terms of buyer types (source: FPI), the situation can be broken down as follows:
 - compared with 2017, block sales are those that contribute the least to sales growth, with a fall of -22.4% in 2018, and constitute 20% of sales ⁽²⁾. Sales to individuals are also down at -7.3% and constitute 77% of sales ⁽²⁾. Assisted-living residence sales are down -1.8% over a year ⁽²⁾,
 - sales to private customers continued to be driven by both sales to investment consumers (50%) and sales to occupying owners (50%);
- In terms of supply ⁽¹⁾:
 - the number of housing units available for sale remains greater than 100,000 units, at 108,020 units at the end of 2018, compared with 108,727 units at the end of 2017, i.e. -0.7%,
 - the commercial offer is down by 3.9% in 2018 compared with 2017, amounting to 121,492 housing units (compared with 126,486 in 2017),
 - as a result, the take-up period has increased slightly to 10.1 months at the end of December 2018 compared with 10.0 months in December 2017;

(1) Based on reports by France's Ministry of Ecology, Sustainable Development and Energy on February 14, 2019.

(2) Changes based on the Total of New home sales estimated by the FPI at 150,783 new homes in 2018 and 168,481 new homes in 2017.

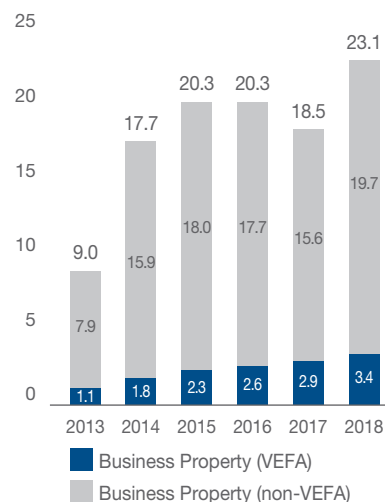
- in terms of new homes under construction ⁽¹⁾:
 - building permits are down (-7.1%) at end-December 2018 year on year, to 460,500 units,
 - the number of new homes under construction is down to 398,100 units (-7.0%) year-on-year at the end of December 2018;
- in terms of financing ⁽²⁾:
 - having increased steadily during the last two years (+4.2% in 2016 and 3.9% in 2017), the cost of transactions carried out by households has continued to rise in 2018, but at a slower pace than before (2.9%). The average relative cost of transactions in 2018 was 4.1 years of income, compared with 4.0 years of income in 2017, reaching its highest level for the last ten years. However, the incomes of households engaged in these transactions only edged up (+0.9% in 2018, versus +2.4% in 2017),
 - 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,
- a) in terms of rates: these are down in 2018, 20-year lending rates falling from 1.52% at the end of 2017 to 1.41% at the end of 2018 ⁽²⁾,
- b) in terms of maturity, in the fourth quarter of 2018, according to the Credit Observatory, the duration of the loans granted, being 226 months on average, i.e. 18.8 years, were up 10 months year-on-year, from 18.0 years in 2017.

Business property market

- in France in 2018, the market for new and existing business property rose from €27.4 billion in 2017 to €32.8 billion in 2018 (+19.7%), encompassing offices, logistics warehouses, shops, and hotels ⁽³⁾.
- in the two markets in which Kaufman & Broad operates (Offices and Logistics), the respective increases were approximately 17.7%, to €23.0 billion and approximately 18.3%, to €2.5 billion. Take-up for new office space is stable at 2.5 million sq.m in 2018, compared with 2.6 million sq.m in 2017, higher than the average in the last ten years, which stands at around 2.3 million sq.m;
- the VEFA market for offices is estimated by BNP Paribas Real Estate at 4.2 billion including 3.4 billion in Île-de-France.
- Île-de-France represents 75.7% of transaction volumes, and more than 64% of these transactions represent amounts greater than €100 million.
- although the available supply remains significant, representing 3 million sq.m at the end of December 2018, it is stabilizing and mainly concerns obsolete buildings, while demand is concentrated on new buildings.

BUSINESS PROPERTY IN ÎLE-DE-FRANCE

(in € billions)



Source: BNP Paribas Real Estate.

Publication: At a Glance Investment in France – 2018 Q4.

Kaufman & Broad

Earnings for 2018 are part of the growth momentum that has been underway for five years now. For the fifth year in a row, the indicators of sales activity and property development for the group improved:

- Housing property portfolio: 30,116 units; +8.4% (in units);
- Housing orders: €1,871.5 million incl. VAT; +4.5%;
- Typology of orders in value:
 - investors: 31% in 2018 vs. 42% in 2017,
 - home buyers: 28% (18% first-time home buyers and 10% second-time buyers) compared to 26% in 2017 (17% first-time buyers and 9% second-time buyers),
 - block sales: 41% compared to 32% in 2017;
- take-up period: 5.0 months (5.1 months vs. 2017);
- total backlog (including Commercial Property): €2,179.5 million excl. VAT; +17.9%;
- total revenue: €1,558.2 million net; +12.0%.

Significant events of the period

Payment in shares of the dividend for the fiscal year ended November 30, 2017

Kaufman & Broad SA's General Meeting of Shareholders, held on May 3, 2018, resolved to propose to the shareholders the option of receiving payment of all or part of the dividend in stock for the year ended November 30, 2017. The issue price of these new shares

(1) Based on reports by France's Ministry of Ecology, Sustainable Development and Energy on February 14, 2019.

(2) Observatoire du Crédit (Credit Observatory) and Guide du Crédit (Credit Guide).

(3) BNP Paribas Real Estate.

was set at €37.60, representing 90% of the average price of Kaufman & Broad shares on the Euronext Paris regulated market over the 20 trading sessions preceding the date of said Shareholders' Meeting, less the net dividend of €2.10 per share, rounded up to the nearest euro cent. The option was open for acceptance from May 9 to May 22, 2018 inclusive. At the end of this period, the shareholders who chose payment of the dividend in stock accounted for 67.3% of Kaufman & Broad SA shares.

To pay the dividend in shares, 790,539 new shares were issued, representing 3.75% of the share capital and 3.60% of the voting rights of Kaufman & Broad SA on the basis of the share capital and voting rights as of April 30, 2018. The settlement/delivery of the shares and their admission to trading on the Euronext Paris regulated market took place on May 30, 2018.

The total dividend in cash to be paid to those shareholders who did not accept the stock dividend option, or who opted for partial payment in shares, amounted to €13.9 million and was paid on May 30, 2018.

Implementation of the share buyback program,

As part of the implementation of its share buyback program, Kaufman & Broad SA announced the signature on October 10, 2018 of an irrevocable mandate with an independent financial services provider regarding the buyback of its own shares within a ceiling at €8,000,000 (eight million euros) between October 11, 2018 and February 15, 2019. The buyback price may not exceed the maximum price set at the AGM on May 3, 2018. On December 18, 2018, Kaufman & Broad decided to raise this amount from €8 million to €10 million. On February 8, 2019 this mandate was prorogued until July 20, 2019. At November 30, 2018, the Company owned 160,632 shares acquired in this context (i.e. 0.73% of the Company's capital).

Sale and implementation of a Liquidity Contract

As of October 22, 2018 and for a period of one year, automatically renewable, Kaufman & Broad SA has entrusted the financial establishment Rothschild Martin Maurel with the implementation of a Liquidity Agreement in line with in-force legal provisions, notably EU regulation 596./2014 of the European Parliament and the European Council of April 16, 2014, and, in particular, Articles 5 and 13, the provisions of Articles L. 225-209 et seq. of the Commercial Code and the ruling of the Financial Markets Authority (AMF) of March 21, 2011.

On October 19, 2018, the Liquidity Agreement set up between Kaufman & Broad SA and Kepler Cheuvreux on August 1, 2016 was terminated. For the implementation of this contract, the following resources have been booked to the liquidity account: €283,138.17 and 32,765 Kaufman & Broad SA shares.

Early repayment of the €50 million on the Syndicated Loan line

On November 30 and in advance, Kaufman & Broad SA redeemed its debt to the tune of €50 million on its Syndicated Loan line (Senior B) amounting to €100 million. The group's €250 million in gross financial debt is thus cut to €200 million, including €150 million for the bond loans with a maturity over six years. This partial redemption, made possible by the group's positive net cash situation, is moreover undertaken on the most mature portion of the gross financial debt (under 2 and a half years). Based on the cash at end-November 2018, Kaufman & Broad SA's financial capacity amounted to €353.4 million after this transaction.

Governance

With the objective of continually improving its governance, Kaufman & Broad's Board of Directors has decided to appoint Yves Gabriel to the position of Lead Director. Yves Gabriel joined the Board of Directors on March 8, 2016 as an independent Board member and subsequently became chair of the Compensation and Nominating Committee.

He was the Chairman and CEO of Bouygues Construction and member of the Bouygues group's Board from 2002 to 2015, CEO of the SAUR group from 1996 to 2002, and CEO of the SCREG group from 1992 to 1996. Before that, he held management roles in different subsidiaries of the SCREG and Bouygues groups.

Yves Gabriel will assist the Chairman in his 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.

The group's key financial data

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)	2018	2017
Revenue	1,558,229	1,390,798
<i>of which Housing</i>	1,293,750	1,213,719
Gross margin	300,002	269,132
<i>Margin rate</i>	19.3%	19.4%
Current operating income	137,185	117,956
<i>Adjusted EBIT^(a)</i>	148,922	126,127
Operating income	137,185	117,956
Income (loss) of the consolidated group	93,037	84,867
ATTRIBUTABLE NET INCOME	72,972	59,118
Net earnings per share ^(b)	€3.34	€2.81
TOTAL ORDERS (INCLUDING VAT)	2,231,009	1,940,526
<i>Total backlog (excluding VAT)</i>	2,179,437	1,847,979

(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, 2018, amounted to €11.7 million, or 3.9% of gross margin, compared to €8.2 million at November 30, 2017. (see footnote (b) in Section 2.3.1.1. "Breakdown by product line").

(b) Based on the number of shares making up the share capital at the end of the period in question, i.e. 21,073,535 at November 30, 2017 and 21,864,074 at November 30, 2018

Fiscal year ended November 30 (in € thousands)	2018	2017
Assets		
Non-current assets	179,330	187,155
Current assets	1,229,726	1,146,136
TOTAL ASSETS	1,409,056	1,333,291
Equity and liabilities		
Shareholders' equity	261,755	215,442
Non-current liabilities	275,746	334,672
Current liabilities	871,555	783,177
TOTAL EQUITY AND LIABILITIES	1,409,056	1,333,291

BUSINESS AND FINANCIAL REVIEW OF THE KAUFMAN & BROAD GROUP

Key Performance Indicators for the Kaufman & Broad group

Fiscal year ended November 30

(in € thousands)

	2018	2017
Cash flow from operations before cost of financial debt and taxes	163,555	138,023
Tax paid	(7,330)	(25,816)
Change in Working Capital Requirement	(11,078)	(5,343)
CASH FLOW FROM OPERATING ACTIVITIES	145,147	106,863
CASH FLOW FROM (USED IN) INVESTING ACTIVITIES	3,294	(13,759)
CASH FLOW FROM (USED IN) FINANCING ACTIVITIES	(116,148)	9,852
Increase (decrease) in cash	32,293	102,956
Cash at start of period	221,065	118,109
Cash at end of period	253,358	221,065

Group consolidated revenue for fiscal year 2018 totaled €1,558.2 million, up 12% compared to €1,390.8 million in 2017.

Housing segment revenue was up 6.6% to €1,293.8 million from €1,213.7 million for fiscal year 2017. This increase is attributable to revenue from the Multi-occupancy housing segment rising by €51.7 million (+4.4%) between 2018 and 2017, while revenue for the Single-family homes segment was up €28.4 million. The Housing segment accounted for 83.0% of total revenue in 2018 versus 87.3% in 2017.

Multi-occupancy housing revenue totaled €1,220.8 million in 2018, versus €1,169.1 million in 2017. Île-de-France accounted for 39.9% of this revenue and 94.4% of the Housing segment total, versus 96.3% in 2017.

Revenue from Single-family homes in communities totaled €73 million, versus €44.6 million in 2017, up 63.6%. Île-de-France accounted for 53.7% of revenue for this segment versus 33.8% in 2017.

Commercial Property generated revenue of €254.2 million, versus €165.3 million in 2017.

The total gross margin rose 11.5% compared to 2017. It amounted to €300.0 million, versus €269.1 million in 2017. The overall gross margin rate was 19.3%, down 0.1 point compared to 2017. The Housing gross margin totaled €238.3 million, up 4.6% compared to 2017, when it totaled €227.8 million. The Housing gross margin is down 0.4 point to 18.4% in 2018 vs. 18.8% in 2017.

Current operating profit was up 16.3%, from €118.0 million in 2017 to €137.2 million in 2018. This improvement is primarily due to a

€30.9 million increase in gross margin that was partially offset by a €11.6 million increase in operating expenses (see Section 2.3.2. "Operating expenses").

The pre-tax income of consolidated companies rose 14.5% from €112.2 million in 2017 to €128.5 million. This increase is mainly due to a €19.2 million rise in operating income. Financial expenses amounted to €2.9 million (€8.7 million in 2018, versus €5.8 million in 2017).

Consolidated net income totaled €93.0 million, versus €84.9 million in 2017. Minority interests were down €5.7 million to €20.1 million, versus €25.7 million in 2017. Attributable net income amounted to €73 million, up 23.4% compared to 2017.

At November 30, 2018, Kaufman & Broad's balance sheet total was €1,409.1 million, versus €1,333.3 million at November 30, 2017. Shareholders' equity amounted to €261.8 million at the end of 2018, i.e., a €46.3 million increase from 2017. This is attributable mainly to a €36.1 million increase in reserves, a €13.9 million increase in net income, and an inclusion of -€5.7 million in income outside the group in minority interests.

At November 30, 2018, net financial debt was €50.0 million, down by €83.1 million from November 30, 2017. The items responsible for this decline are described in Section 2.4.1. "Cash flow". Gearing (the net debt to shareholders' equity ratio) was -19.1%, versus 15.4% at November 30, 2017.

The group's cash increased from €221.1 million at the 2017 fiscal year-end to €253.4 million at November 30, 2018. Kaufman & Broad's financing capacity thus totaled €353.4 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 in cadence 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 usable 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 revenue 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.

	Business property inventory, end of period ^(a)	Net orders ^(b)	Housing units offered for sale ^(c)	Programs being marketed ^(d)	Headcount at November 30 ^(e)
Fiscal year 2018	3,821	9,122	9,103	203	902 (202 from the Marketing and Sales Departments, 232 from the Property Appraisal and Development Departments, 234 from the technical department and 234 administrative and central support employees)
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)

(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) This is the total number of tranches opened to marketing at the end of the period.

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

	Living space (excl. parking spaces)	Sales price range (including VAT) ^(a)	Average price ^(a)
Île-de-France			
Single-family homes in communities	60 to 145 sq.m	€228,000 to €644,000	€375,221
Multi-occupancy housing ^(b)	21 to 146 sq.m	€2,541 to €10,815/sq.m	€4,582/sq.m
Regions			
Single-family homes in communities	43 to 121 sq.m	€180,000 to €462,000	€287,932
Multi-occupancy housing ^(b)	15 to 160 sq.m	€1,571 to €17,742/sq.m ^(c)	€4,221/sq.m

(a) Based on housing units ordered, sold and delivered in fiscal year 2018 (non-representative cases excluded).

(b) Including student rooms and managed products.

(c) Including the VILLNEUVEUVE – BAHIA – VILLENEUVE LOUBET program with an apartment at €17,742/sq.m.

Kaufman & Broad's Single-family homes in communities and multi-occupancy housing clearly reflect 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 home buyers 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 home buyers. Multi-occupancy housing units have a minimum surface

area of 15 sq.m (due to managed accommodation such as student residences) and range up to 160 sq.m at an average price of €4,221/sq.m in the provinces and €4,582/sq.m in Île-de-France. The maximum price per sq.m can reach close to €10,815 for developments in Paris where real estate prices remain high. For single-family homes, surface areas vary between 43 sq.m and 121 sq.m in other regions. The average price of single-family homes is €287,932 in other regions and €375,221 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 Commercial Property, in volume and in value, for all four quarters of fiscal years 2017 and 2018.

Housing	Number of net orders ^(a)	Orders in value (in € thousands, including VAT)	Deliveries (in EHUs) ^(b)	Backlog (in EHUs)	Backlog, by value (in € thousands, excl. VAT)	Backlog, by months of business activity ^(c)
Single-family homes in communities						
Fiscal year ended November 30, 2018						
First quarter	50	16,824	62	331	77,485	17.5
Second quarter	131	36,394	94	368	87,963	17.1
Third quarter	96	27,489	61	403	95,291	17
Fourth quarter	232	55,140	94	543	121,076	19.9
TOTAL	509	135,847	311	-	-	-
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	-	-	-

(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 revenue (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	Number of net orders ^(a)	Orders in value (in € thousands, including VAT)	Deliveries (in EHUs) ^(b)	Backlog (in EHUs)	Backlog, by value (in € thousands, excl. VAT)	Backlog, by months of business activity ^(c)
Multi-occupancy Housing						
Fiscal year ended November 30, 2018						
First quarter	1,774	328,503	1,647	9,856	1,599,678	16
Second quarter	2,194	482,534	1,796	10,254	1,696,710	16.7
Third quarter	1,736	341,769	1,520	10,470	1,727,017	17.1
Fourth quarter	2,909	582,850	2,292	11,085	1,839,701	18.1
TOTAL	8,613	1,735,655	7,255	-	-	-
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	-	-	-

(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 revenue (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 AND FINANCIAL REVIEW OF THE KAUFMAN & BROAD GROUP

Key Performance Indicators for the Kaufman & Broad group

Commercial Property	Sq.m ordered	Orders in value	Backlog, by value
	(in € thousands, including VAT)	(in € thousands excl. VAT)	
Fiscal year ended November 30, 2018			
First quarter	73,806	63,498	194,177
Second quarter	35,703	282,663	302,058
Third quarter	-	-	269,407
Fourth quarter	-	13,334	218,346
TOTAL	109,509	359,495	-
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	-

2.1.3.1.1. Orders

2.1.3.1.1.1. Housing

In fiscal year 2018, 9,122 net housing unit orders were recorded, versus 9,027 in 2017, an increase of 1.1%. In value, orders rose 4.5% to €1,871.5 million (including VAT), compared to €1,790.1 million (including VAT) in 2017. Sales recorded an increase in housing orders of 15.4% in volume and 17.4% in value compared to 2017. The Housing

segment accounted for 83.9% of all group orders in value versus 92.2% in 2017.

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 2018 and 2017 (December 1 to November 30).

	Number of single-family homes ordered				Number of multi-occupancy housing units ordered			
	2018	%	2017	%	2018	%	2017	%
Île-de-France	315	62%	150	48%	3,404	40%	2,996	34%
Regions	194	38%	165	52%	5,209	60%	5,716	66%
TOTAL	509	100%	315	100%	8,613	100%	8,712	100%

Multi-occupancy Housing

In fiscal year 2018 as a whole, 8,613 Multi-occupancy housing units were ordered versus 8,712 in 2017, a 1.1% fall. Multi-occupancy housing orders totaled €1,735.7 million (including VAT), versus €1,700.2 million (including VAT) in 2017, a 2.1% increase (€35.4 million). This rise is the result of the 13.6% increase in Île-de-France for an additional €57.8 million (8.5%), along with a fall of 8.9% in the volume of orders and a 2.2% fall in their value.

Multi-occupancy housing orders were at 39.5% in volume and 42.5% in value in Île-de-France, versus 34.4% and 40.0% in 2017,

respectively. Multi-occupancy housing accounted for the largest share of Kaufman & Broad orders, reaching 77.8% in value and 94.4% in volume of its total orders versus, respectively, 87.6% and 96.3% in 2017.

Single-family homes in communities

There were 509 orders for Single-family homes in communities, amounting to €135.8 million, versus 315 orders amounting to €89.8 million in 2017. The number of orders on Single-family homes in communities grew by 110% in Île-de-France and 17.6% in other regions. Île-de-France contributed up to 61.9% in volume and 68.7% in value for these orders versus, respectively, 47.6% and 61.0% in 2017.

Orders by operating segment

		2018			2017		
Fiscal year ended November 30		Net number of orders	Orders in value (in € thousands, including VAT)	Average price (in € thousands, incl. VAT)	Net number of orders	Orders, by value (in € thousands, incl. VAT)	Average price (in € thousands, incl. VAT)
Île-de-France		3,289	721,895		2,936	664,413	
	Housing	3,289	721,895	219.5	2,936	664,413	226.3
	Commercial	-	-	-	-	-	-
	Other	-	-	-	-	-	-
West		1,160	161,188		1,221	210,709	
	Housing	1,159	158,695	136.9	1,197	182,421	152.4
	Commercial	-	2,481	-	-	-	-
	Other	1	12	-	24	1,287	-
Southwest		2,324	464,428		2,630	498,680	
	Housing	2,324	464,832	200.0	2,630	484,870	184.4
	Commercial	-	(404)	-	-	8,956	-
	Other	-	-	-	-	4,855	-
Southeast		921	208,821		998	214,963	-
	Housing	921	208,821	226.7	1,030	199,346	193.5
	Commercial	-	-	-	-	-	-
	Other	-	-	-	-	-	-
Rhône-Alpes		978	204,221		849	160,254	-
	Housing	978	204,221	208.8	849	160,254	188.8
	Commercial	-	-	-	-	-	-
	Other	-	-	-	-	-	-
Other Regions		21	4,510		175	28,986	-
	Housing	21	4,510	214.7	175	28,986	165.6
	Commercial	-	-	-	-	-	-
	Other	-	-	-	-	-	-
Business property and logistics ^(b)		434	465,947		210	178,138	-
	Housing	430	108,528	-	-	69,766	-
	Commercial	4	357,419	-	-	108,372	-
	Other	-	-	-	-	-	-
GROUP TOTAL		9,127	2,231,009		9,051	1,940,526	-
	Housing	9,122	1,871,502	205.2	9,027	1,790,056	198.3
	Commercial ^(c)	4	359,495	-	-	144,328	-
	Other ^(a)	1	12	-	24	6,143	-

(a) Land, building lots.

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

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

Geographically, the Housing segment in Île-de-France recorded an increase of 18.2% in volume and 13.1% in value compared to 2017. The Regions posted an 8.1% decrease in volume and 1.4% in value. Île-de-France's share in the Housing segment rose to the detriment of other regions. The Regions represented 59.2% in volume and 55.6% in value of the group's housing unit orders, compared to 65.1% in volume and 59% in value in 2017.

In 2018, the Southwest (Toulouse, Bordeaux, Bayonne, Montpellier, La Rochelle and Perpignan) accounted for 25.5% of total housing order volume, versus 12.7% for the West (Upper Normandy, Caen, Rennes, Val de Loire, Nantes, Lille Flandre Promotion) and 10.1% for the Southeast (Marseille, Toulon, Nice) and 10.7% for the Rhône-Alpes region (Lyon, Grenoble, Annecy). At the same time, the contribution from Île-de-France increased from 37.1% to 44.4% in value, and decreased from 32.5% to 40.8% in volume ⁽¹⁾.

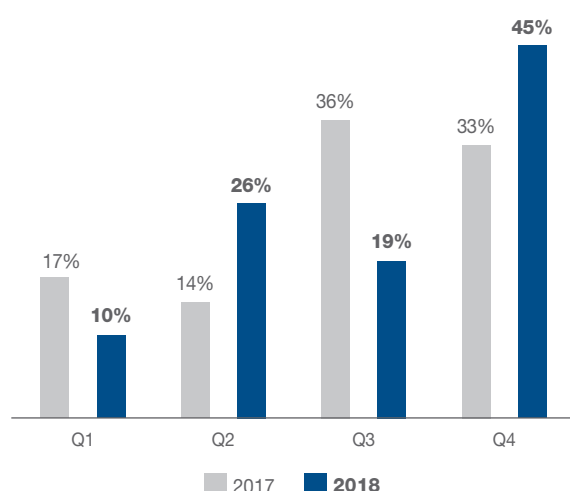
(1) For Île de France, includes Business Property hotel residences.

Over the course of one year, the average price of the group's housing unit orders increased 3.5%, from €198.3 thousand (including VAT) per home in 2017 to €205.2 thousand (including VAT) per home in 2018. The

price increase was more pronounced in the Regions, with an increase of 7.3%, while Ile-de-France posted a slight 4.3% decline compared to 2017.

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

SINGLE-FAMILY HOMES IN COMMUNITIES

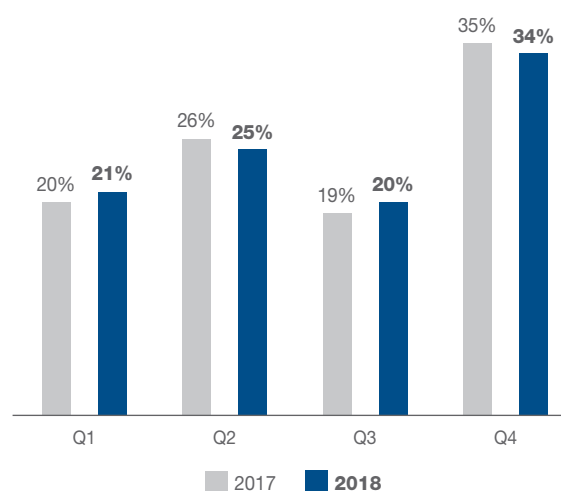


The fourth quarter of fiscal year 2018 recorded the highest number of orders in multi-occupancy housing, while the first and third quarters were in line with historical trends due to the larger number of commercial launches in the spring and at the end of the year. The seasonal nature is more distinct 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. Commercial Property

In fiscal year 2018, Commercial Property orders reached €359.5 million (including VAT), compared to €144.3 million (including VAT) in 2017.

MULTI-OCCUPANCY HOUSING



The group launched the building works for a logistics program in Q1 2018 in Mer (some 73,800 sq.m) plus the reservation of two programs in Q2 2018 of over 10,000 sq.m: an office development in Courbevoie (24,000 sq.m) and another at Arcueil (10,500 sq.m).

2.1.3.1.2. Backlog (order book)

At November 30, 2018, the total backlog amounted to €2,179.4 million (excluding VAT) versus €1,848.0 million (excluding VAT) at November 30, 2017, representing an increase of 17.9%.

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 2018 and 2017 (December 1 to November 30).

	Backlog in number of Single-family homes				Backlog in number of Multi-occupancy housing			
	2018	%	2017	%	2018	%	2017	%
Île-de-France	326	60%	138	40%	4,236	38%	3,337	41%
Regions	217	40%	205	60%	6,849	62%	6,392	59%
TOTAL	543	100%	343	100%	11,085	100%	9,729	100%

The Housing backlog totaled 11,628 units, compared to 10,072 units as of November 30, 2017, a rise of 15.4%. In value, it recorded a 17.4% rise compared to the end of 2017 and totaled €1,960.8 million (excluding VAT) at November 30, 2018.

Multi-occupancy Housing

The multi-occupancy housing backlog totaled €1,839.7 million in 2018, an increase of 15.6% compared to the end of 2017, when it totaled €1,591.5 million. In volume, it amounted to 11,085 units, compared to 9,729 units in 2017, an increase of 13.9%. In Île-de-France, the Multi-occupancy housing backlog rose 26.9% in volume and 23.4% in value. Additionally, orders continued to rise in other regions with a 7.1% and 10.2% increase in volume and value, respectively.

Single-family homes in communities

The backlog for Single-family homes in communities totaled €121.1 million with 543 units, i.e., an increase of 58.3% in volume and 53.8% in value compared to November 30, 2017, when it totaled €78.7 million with 343 units. This increase in value is more localized in Île-de-France with a 93% increase in value versus 2017, compared with a 9.4% increase in other regions. At November 30, 2018, Île-de-France recorded a backlog of 326 single-family homes for €80.7 million, versus 138 units for €41.8 million at the end of 2017. In other regions, the backlog reached 217 units for €40.4 million, versus 205 units for €36.9 million in 2017.

Backlog by operating segment

Fiscal year ended November 30		2018			2017		
		Backlog in value (in € thousands, including VAT)	Average price (in € thousands, incl. VAT)	Backlog in numbers	Backlog in value (in € thousands, excluding VAT)	Average price (in € thousands, excl. VAT)	Backlog, in numbers
Île-de-France		4,017	749,371		3,265	629,529	
	Housing	4,017	749,371	186.5	3,265	629,529	176.3
	Commercial	-	-	-	-	-	-
	Other	-	-	-	-	-	-
West		1,456	182,577		1,287	188,370	-
	Housing	1,450	165,416	114.1	1,236	159,976	119.5
	Commercial	-	16,848	-	-	25,298	-
	Other	6	313	-	51	3,096	-
Southwest		3,182	509,096		3,021	465,929	
	Housing	3,176	508,800	160.2	3,015	458,985	134
	Commercial	6	296	-	6	6,944	-
	Other	-	-	-	-	-	-
Southeast		1,178	193,207		1,183	183,003	-
	Housing	1,178	193,207	164.0	1,183	183,003	163.9
	Commercial	-	-	-	-	-	-
	Other	-	-	-	-	-	-
Rhône-Alpes		1,234	210,908		1,012	159,442	-
	Housing	1,234	210,908	170.9	1,012	159,442	152.8
	Commercial	-	-	-	-	-	-
	Other	-	-	-	-	-	-
Other Regions		28	4,530		151	21,102	-
	Housing	28	4,530	161.8	151	21,102	119.9
	Commercial	-	-	-	-	-	-
	Other	-	-	-	-	-	-
Business property and logistics ^(a)		549	329,749		210	200,603	-
	Housing	545	128,546	-	210	58,138	-
	Commercial	4	201,203	-	-	142,485	-
	Other	-	-	-	-	-	-
GROUP TOTAL		11,644	2,179,438		10,129	1,847,978	
	Housing	11,628	1,960,778	168.6	10,072	1,670,175	151.2
	Commercial ^(c)	10	218,346	-	6	174,707	-
	Other ^(a)	6	313	-	51	3,096	-

(a) Land, building lots.

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

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

The Housing backlog in Île-de-France rose by 31.3% in volume and 27.7% in value compared to the previous year. During the same period, the Regions were up 7.1% in volume and 10.2% in value. The Île-de-France share of the Housing backlog rose compared to other regions, to 34.5% in volume and 38.2% in value at the end of November 2018, versus 32.4% in volume and 37.7% in value at the end of November 2017. The Southeast (Marseille, Toulon, Nice) accounted

for 9.9% in value, versus 25.9% for the Southwest (Toulouse, Bordeaux, Bayonne, Montpellier, La Rochelle and Perpignan) and 19.4% for the other operating segments (West/Rhône-Alpes and Other Regions).

At November 30, 2018, the Housing backlog was equivalent to 18.2 months of business, compared to 16.5 months at November 30, 2017.

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 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. (Source: Insee, Insee Première study No. 1652, published on June 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 should support the development market on which Kaufman & Broad operates but will probably require an adjustment in terms of supply.

12-month housing market

After two years of growth (+26.8% in 2016, +2.1% in 2017) the market reached a 10-year high in 2017. 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. In 2018, there was a decline of 1.9% (127,964 reservations in 2018 versus 130,474 in 2017). In 2019, Kaufman & Broad expects continuation of this movement.

Several factors will probably continue to underpin demand:

- long-term interest rates expected to remain at historic lows in the coming 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, 95% of the group's commercial offer is located in priority areas.

- an increase in household purchasing power of some 1.5% due to the slowdown for inflation alongside an increase in revenues.

However, several tension factors could weigh on the new real estate market in 2019:

- the municipal elections in 2020, which are already pulling down building permits;
- ongoing asynchrony between supply prices and household purchasing power. So we see a rise in the abandonment rate to 29.3% for collective housing at the end of 2018, whereas the long term average is around 19%;
- the rise in construction and property costs, notably in zone B1 for land prices.

In this context, Kaufman & Broad expects a market at some 115,000 housing units in 2019, which is still some way over the ten year average at closed to 100,000 reserved units.

Commercial Property market

The current economic situation had prompted the ECB to maintain the low rates environment, at least till the summer of 2019. Market players such as Fitch Ratings and Franklin Templeton expect no change in rates out till 2020 ⁽¹⁾. Hence interest rates are likely to stay low in France (10 year OAT: 0.65% at end-2018 and 1.16% in the medium term (2020) according to the OECD).

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 2018, Kaufman & Broad expects the market to remain dynamic in both the Offices and Logistics segments.

(1) The ECB will not raise rates before 2021-Franklin Templeton, Les Echos, January 15, 2019.
Fitch does not expect the ECB to raise rates before 2020, Capital. Fr, December 12, 2018.

General outlook

In this context, Kaufman & Broad's outlook should remain satisfactory based on end-2018 indicators:

- an increase of 8.4% in housing land reserve, i.e. 30,116 lots;
- an overall financial backlog up 17.9% and a housing unit backlog up +17.4%;
- more than 280,000 sq.m of office space and 66,000 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:

- 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 Business 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 continue to maintain the objectives it has been setting for itself for several years now:

- controlling costs;
- achieving control of WCR trends and generating material operating cash flow;
- controlling commitments and related risks.

Over the 2019 financial year, total revenue should be stable compared with 2018: the expected drop in the first half due to the strong Business Property activity in the first half of 2018 should be offset by an increase in the second half. The gross margin ratio is expected to hold at around 19% and the adjusted EBIT ratio should stay above 9%.

Land portfolio

Lots available for development by 2020 (at November 30, 2017)

(at November 30, 2018)

	In units	Estimated sq.m ^(c) ^(d) ^(e)
Land to be developed ^(a)	30,157	2,264,341
Single-family Homes	1,353	121,621
Multi-occupancy Housing	28,763	1,696,251
Business Property	33	379,469
Other	8	67,000
Land under survey ^(b)	10,725	686,892
Single-family Homes	282	24,429
Multi-occupancy Housing	10,443	639,843
Business Property	-	22,620
Other	-	-
TOTAL - FRANCE	40,882	2,951,233

(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, 2018, the group's total property portfolio represented 30,157 lots, i.e. three years of future business. The Office property portfolio, meanwhile, included more than 379,469 sq.m of net surface area. The business potential for the group by 2021 thus represents 40,882 lots including 22,620 sq.m of offices on land currently in the survey phase.

For fiscal year 2019 as a whole, the group plans to develop 152 new housing unit programs for a total of 12,331 lots, including 45 programs in Île-de-France with 4,361 lots, and 103 programs in the Regions with 7,970 lots and four business property programs.

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)		2018	2017
Revenue		1,558,229	1,390,798
Gross margin		300,002	269,132
Gross margin ratio (%)		19.3%	19.4%
Current operating income		137,185	117,956
Operating income		137,185	117,956
Income (loss) of the consolidated group		93,037	84,867
Attributable net income		72,972	59,118
Net earnings per share ^(a)		€3.34	€2.81

(a) Based on the number of shares making up the equity capital at the end of the period in question, i.e. 21,073,535 at November 30, 2017 and 21,864,074 at November 30, 2018.

2.2.2. Sources of net income

The accounting principles, estimates and assumptions used to prepare the Consolidated Financial Statements at November 30, 2018 are described in Note 1., Section 4.1.5. "Notes to the Financial Results".

The group's revenue and margin are recognized based on the percentage completion of programs, in accordance with the following rule: revenue recognized for a given program are equal to the product of the cumulated revenue 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 gross margin corresponds to revenue 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. Comments on the results

Statement of consolidated comprehensive income

Consolidated income statement

(in € thousands)	November 30, 2018	November 30, 2017
Revenue	1,558,229	1,390,798
Cost of sales	(1,258,227)	(1,121,666)
GROSS MARGIN	300,002	269,132
Sales expenses	(36,433)	(37,655)
Administrative expenses	(74,541)	(64,340)
Technical and Customer service expenses	(21,487)	(20,582)
Development and program expenses	(30,357)	(28,599)
CURRENT OPERATING INCOME	137,185	117,956
Other non-recurring income	–	–
Other non-recurring expenses	–	–
OPERATING INCOME	137,185	117,956
Financial expenses	(9,621)	6,287
Financial income	914	508
COST OF NET FINANCIAL DEBT	(8,707)	(5,779)
PRE-TAX INCOME OF CONSOLIDATED COMPANIES	128,478	112,177
Income tax	(39,335)	(28,430)
NET INCOME OF CONSOLIDATED COMPANIES	89,143	83,747
Share of income (loss) of equity affiliates and joint ventures	3,894	1,120
INCOME (LOSS) OF THE CONSOLIDATED GROUP	93,037	84,867
Minority interest income (loss)	20,065	25,749
Attributable net income	72,972	59,118
Average number of shares	21,215,930	19,938,096
BASIC EARNINGS PER SHARE ^(a)	€3.44	€2.97
DILUTED EARNINGS PER SHARE ^(a)	€3.44	€2.97

(a) Earnings per share calculated based on average number of shares.

2.3.1. Breakdown of deliveries, revenue 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), revenue and gross margin by product line for fiscal years 2018 and 2017:

Fiscal year ended November 30 (in € thousands)	2018			2017		
	Deliveries (EHUs) (in units)	Revenue	Gross margin ^(a)	Deliveries (EHUs) (in units)	Revenue	Gross margin ^(b)
Multi-occupancy Housing	7,255	1,220,789	223,234	7,619	1,169,114	218,648
Single-family Homes	311	72,962	15,049	224	44,605	9,156
TOTAL HOUSING	7,566	1,293,750	238,283	7,843	1,213,719	227,804
Commercial Property	-	254,150	59,223	-	165,263	39,729
Other ^(a)	46	2,994	882	52	6,507	430
Showroom	-	7,335	1,614	-	5,309	1,168
GRAND TOTAL	7,612	1,558,229	300,002	7,895	1,390,798	269,132

(a) Corresponds primarily to sales of undeveloped lots and external fees (project management contracts).

(b) Revised IAS 23 "Borrowing costs": since Dec. 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, 2018, amounted to €11.7 million, or 3.9% of gross margin, compared to €8.2 million at November 30, 2017.

Deliveries (EHUs)

The number of Equivalent Housing Units (EHUs) delivered increased 3.6% between 2017 and 2018, from 7,895 units delivered in 2017 to 7,612 units delivered in 2018. Multi-occupancy housing deliveries rose 4.8% to 7,255 units in 2018, while deliveries of Single-family homes in communities increased 38.8% to 311 units delivered. Multi-occupancy housing accounted for 95.9% of delivered housing units, versus 97.1% in 2017.

Revenue

Compared to 2017, total group revenue (excluding VAT) were up 12.0% to €1,558.2 million, versus €1,390.8 million in 2017. This increase is primarily due to an increase in Commercial business revenue (€88.9 million).

Multi-occupancy housing segment

The Multi-occupancy housing segment's revenue increased 4.4%, from €1,169.1 million to €1,221 million in 2018. 39.0% of revenue was generated in Île-de-France versus 35.2% in 2017. Multi-occupancy housing accounted for 78.3% of total revenue, versus 84.1% in 2017. The €51.7 million increase in Multi-occupancy housing revenue came from the €64.9 million increase registered in Île-de-France.

Single-family homes in communities

Revenue from Single-family homes rose 63.6% compared to 2017, from €44.6 million to €73 million in 2018. It accounted for 4.7% of total

revenue, compared to 3.2% in 2017. The €28.4 million increase breaks down as follows: up €24.1 million for Île-de-France and up +€4.2 million increase in other regions. Île-de-France accounted for 53.7% of Single-family home revenue, while other regions accounted for 46.3%.

Other business activities

Revenue for the Commercial Property segment rose €88.9 million. It amounted to €254.2 million in 2018, versus €165.3 million in 2017. This is due mainly to the progress with the Courbevoie project which generates revenue of €73.5 million, plus the Pouchet project (€53.4 million), Paris 13 TGB (€27.5 million), Mer (€22.9 million), and Montbartier (€18.7 million).

Showroom revenue totaled €7.3 million, compared to €5.3 million in 2017.

Gross margin

The group's gross margin totaled €300 million compared to €269.1 million in 2017, an 11.5% increase (+€30.9 million). The gross margin rate was down, at 19.3% in 2018, compared to 19.4% in 2017.

Multi-occupancy housing segment

The Multi-occupancy housing segment's gross margin totaled €223.2 million, compared to €218.6 million in 2017 (an increase of 2.1%). Its gross margin rate is down from 18.7% in 2017 to 18.3% in 2018. The €4.6 million increase in gross margin stemmed from a rise of €7.8 million in Île-de-France despite a €3.2 million fall in other regions. In Île-de-France, the gross margin rate was 18.3%, versus 19.3% in 2017. In the Regions, it stood at 18.3%, compared to 18.4% in 2017.

Single-family homes in communities

Following the same trend as revenue, the gross margin for Single-family homes posted an increase compared to 2017 (64.1%). It amounted to €15 million for fiscal year 2018, versus €9.2 million for fiscal year 2017. The €5.9 million increase mainly stemmed from Île-de-France activity, which contributed €5 million. The gross margin rate for the single-family homes segment was 20.6% as last year.

Other business activities

The gross margin from other businesses was €61.7 million, versus €41.3 million in 2017. The Business property segment accounted for €59.2 million of this amount, up €19.4 million compared to 2017.

2.3.1.2. Breakdown by operating segment

The following table shows a breakdown of the number of housing units (EHUs) delivered, revenue and gross margin by geographic area for fiscal years 2017 and 2018:

		2018			2017		
Fiscal year ended November 30 (in € thousands)		Deliveries (EHUs) (in units)	Revenue	Gross margin	Deliveries (EHUs) (in units)	Revenue	Gross margin
Île-de-France		2,537	501,620	95,931	2,406	430,062	84,155
	Housing	2,537	497,453	94,936	2,406	426,661	83,408
	Commercial	-	-	-	-	-	-
	Other ^(a)	-	4,168	995	-	3,400	746
West		991	146,528	30,334	1,273	165,516	30,748
	Housing	945	128,137	26,000	1,221	153,094	27,429
	Commercial	-	15,590	3,606	-	9,962	2,905
	Other ^(a)	46	2,801	729	52	2,460	415
Southwest		2,163	345,861	61,705	2,281	342,888	60,038
	Housing	2,163	339,537	61,043	2,281	325,835	57,804
	Commercial	-	6,132	586	-	13,006	2,210
	Other ^(a)	-	192	76	1	4,047	23
Southeast		926	166,890	27,499	1,008	174,747	30,779
	Housing	926	164,386	26,980	1,008	172,783	30,051
	Commercial	-	-	(31)	-	226	352
	Other ^(a)	-	2,504	551	-	1,738	376
Rhône-Alpes		756	125,946	22,186	588	95,022	18,678
	Housing	756	125,283	22,040	588	94,951	18,641
	Commercial	-	-	-	-	-	-
	Other ^(a)	-	663	146	-	171	38
Other Regions		144	20,726	5,868	339	40,495	10,472
	Housing	144	20,726	5,869	339	40,495	10,472
	Commercial	-	-	-	-	-	-
	Other ^(a)	-	-	(1)	-	-	-
Business property and logistics ^(b)		95	250,657	56,478	-	142,069	34,262
	Housing	95	18,229	1,416	-	-	-
	Commercial	-	232,428	55,062	-	142,069	34,262
	Other ^(a)	-	-	-	-	-	-
TOTAL		7,612	1,558,229	300,002	7,895	1,390,798	269,132
	Housing	7,566	1,293,750	238,283	7,843	1,213,719	227,804
	Commercial	-	254,150	59,223	-	165,263	39,729
	Other ^(a)	46	10,329	2,496	52	11,816	1,598

(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 a major share of the group's Housing business with 33.5% of housing units delivered in 2018 (i.e. 34.5% for Multi-occupancy housing units and 40.8% for Single-family homes in communities) versus 30.7% in 2017. The group is also active in the Southwest (Toulouse, Bordeaux, Bayonne, Montpellier), in the West (Nantes, Rennes) and in the Southeast (Nice, Toulon, Marseille) where 28.6%, 12.5%, and 12.2% of the housing units were delivered, respectively, compared to 29.1%, 15.6% and 12.9% in 2017.

Housing revenue

Housing revenue totaled €1,293.8 million in 2018, versus €1,213.7 million in 2017, up 6.6%. Île-de-France contributed 39.9% of revenue, versus 35.2% in 2017.

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 12.7% and 26.2% of Housing business revenue, respectively. The West (Nantes and Rennes) contributed 9.9% and the Rhône-Alpes region (Lyon, Grenoble and Annecy) 9.7%.

The €80 million increase in Housing revenue compared to 2017 can be explained by the €89.0 million increase in revenue in Île-de-France ⁽¹⁾, the Southwest, along with increases in the Rhône-Alpes region (+€29.4 million).

Housing gross margin

The Housing gross margin at November 30, 2018 was €283.3 million, versus €227.8 million in 2017, a rise of 4.6% year-on-year. The gross margin rate declined from 18.8% to 18.4% between 2017 and 2018.

Île-de-France contributed 39.8% of the Housing gross margin achieved by the group in 2018 (36.6% in 2017). The Southwest (Toulouse, Bordeaux, Bayonne, Montpellier) was the second-largest contributor with 25.6%, and the Southeast (Marseille, Toulon, Nice) accounted for 11.3%. The Rhône-Alpes region (Lyon, Grenoble, Annecy) and the West (Nantes, Rennes) respectively contributed 9.2% and 10.9% of the Housing segment's gross margin.

The €10.5 million increase in the Housing segment's gross margin in 2017 and 2018 mainly stemmed from the rise in gross margin in Île-de-France (+€11.5 million) as well as Rhône-Alpes and the Southwest, respectively €3.4 million and €3.2 million.

2.3.2. Operating expenses

(in € thousands)	November 30, 2018	November 30, 2017
Sales expenses	36,433	37,655
Administrative expenses	74,541	64,340
Technical and customer service expenses	21,487	20,582
Development and program expenses	30,357	28,599
TOTAL OPERATING EXPENSES	162,818	151,176

At November 30, 2018, operating expenses totaled €162.8 million, versus €151.2 million in 2017. Operating expenses as a percentage of revenue remained stable, at 10.4% in 2018 versus 10.9% in 2017.

The change in operating expenses is explained primarily by the following items:

Sales expenses

Selling expenses amounted to €36.4 million versus €37.7 million in 2017, a fall of 3.2%. This fall is mostly due to a €0.8 million decrease in advertising expenses (-3.9% compared to 2017), as well as a €0.4 million decrease in salaries (+3.9%).

(1) For Île-de-France, includes Business Property hotel residences.

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)	2018	2017
Salaries and payroll taxes	10,674	11,106
Commissions paid to the sales team	11,910	11,047
<i>As a percentage of total group revenue</i>	<i>1.4%</i>	<i>1.6%</i>

Sales commissions (in € thousands)	2018	2017
Commissions paid to the sales team	11,910	11,047
External commissions	54,404	49,322
TOTAL COMMISSIONS ON SALES	66,314	60,369
<i>As a percentage of total group revenue</i>	<i>4.3%</i>	<i>4.3%</i>
<i>As a percentage of Housing gross margin</i>	<i>22.1%</i>	<i>26.5%</i>

The amount of commissions on sales was €66.3 million in 2018, including €11.9 million for internal commissions (paid to the sales teams) and €54.4 million for external commissions (paid to prescribers). Sales staff

commissions are stable compared with the increase in sales headcount (+32 sales staff). 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% and 2.5% of its revenue, 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 Commercial Property in total revenue, the recorded percentage may be less. For the 2018 fiscal year, expenses for advertising and model homes totaled €20.5 million and accounted for 1.32% of total revenue, down 0.1 percentage point compared to 2017.

The following table shows the amount of these advertising expenses and the percentage of these expenses in terms of revenue over the last two years:

Fiscal year ended November 30 (in € thousands)	2018	2017
Advertising expenses	20,540	21,381
<i>As a percentage of revenue</i>	<i>1.32%</i>	<i>1.54%</i>

Advertising expenses in 2018 decreased 3.9% compared to 2017, with revenue growing 12% compared to the previous fiscal year.

Administrative expenses

General administrative expenses came to €74.5 million in 2018, versus €64.3 million in 2017, a 15.9% increase, including a €2.2 million increase in salaries (8.3%) as well as the €8 million increase in vehicle and travel costs (63.9%).

Technical and Customer service expenses

Technical and customer service expenses were €21.5 million, versus €20.6 million in 2017, up 4.4%, of which €8.5 million on salaries i.e., +4.8%

Development and program expenses

Development and program expenses came to €30.4 million, up 6.1% compared to 2017, when they amounted to €28.6 million, €4 million of which were charged to project abandonment costs as well as €6.3 million in the "Total estimated expenses" item, which includes the net change in provisions for new-project expenses.

2.3.3. Current operating income – Operating margin

The group's current operating profit was up 16.3%, from €118.0 million in 2017 to €137.2 million in 2018. The current operating margin was 8.8% versus 8.5% in 2017. The €19.2 million increase in current operating profit reflects first and foremost the €30.9 million jump in gross margin.

2.3.3.1. Adjusted EBIT

Adjusted EBIT corresponds to the group's current operating income (€137.2 million) restated for "revised IAS 23" borrowing costs capitalized and recognized in the gross margin in the amount of €11.7 million, resulting in a figure of €148.9 million as of November 30, 2018.

Adjusted EBIT was up 18.1% compared to November 30, 2017, when it stood at €126.1 million, with current operating income of €118.0 million and borrowing costs in the amount of €8.2 million.

The adjusted EBIT margin was 9.6%, compared to 9.1% at November 30, 2017.

2.3.4. Other non-recurring income and expenses

At November 30, 2018, the amount of non-recurring income was zero. Accordingly, operating income was €137.2 million, versus €118.0 million in 2017.

2.3.5. Cost of net financial debt

The cost of the net financial debt was up €2.9 million from €5.8 million in 2017 to €8.7 million in 2018. This increase is mainly due to the remuneration costs on fund advances on Commercial transactions amounting to €3.3 million. However, the amount of capitalized finance fees ("Revised IAS 23") for 2018 was down €0.9 million, decreasing from

€11.0 million in 2017 to €10.1 million at November 30, 2018. The average utilization of syndicated lines of credit amounted to some €250 million in 2018 versus €226.7 million the previous year. (See Section 4.1.5. Note 6.3. to the Consolidated Financial Statements, "Cost of net financial debt").

2.3.6. Net income

Tax liability

Income tax amounted to €39.3 million, based on the group's net profit at November 30, 2018, compared to €28.4 million for fiscal year 2017 (see Note 12.2., "Tax Reconciliation" to the Consolidated Financial Statements).

Minority interests

The amount of minority interests was down by €5.7 million, from €25.7 million in 2017 to €20.1 million in 2018. This fall reflects the slowdown of the impact of the larger number of co-promotion operations undertaken by Kaufman & Broad two and three years ago, of which some are now reaching completion.

Net income

Attributable net income for fiscal year 2018 rose 23.4% compared to 2017. It amounted to €73.0 million, versus €59.1 million in 2017.

The net margin (net income as a percentage of revenue) rose to 4.7% in 2017 up 0.4 point versus 4.3% in 2017.

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. The detail for this sector analysis can be found in Note 3.1. "Result per operating segment" in the appendix to the Consolidated Financial Statements at November 30, 2018.

Fiscal year ended November 30, 2018 (in € thousands)

	Île-de-France	West	Southwest	Southeast
Revenue	501,620	146,528	345,861	166,890
GROSS MARGIN	95,931	30,334	61,705	27,499
Sales expenses	(11,216)	(3,055)	(5,544)	(4,014)
Administrative expenses	(10,138)	(5,795)	(9,328)	(4,508)
Technical and Customer service expenses	(9,220)	(1,922)	(3,931)	(2,715)
Development and program expenses	(7,667)	(2,534)	(6,732)	(3,271)
Reallocation of share of corporate re invoicing	(14,521)	(5,698)	(11,418)	(5,826)
CURRENT OPERATING INCOME	43,169	11,330	24,752	7,165
Other non-recurring income and expenses				
OPERATING INCOME	43,169	11,330	24,752	7,165
Cost of net financial debt and other financial income/expenses	3,053	524	75	(907)
Reallocation of cost of net financial debt	(1,828)	(734)	(1,438)	(734)
PRE-TAX INCOME OF CONSOLIDATED COMPANIES	44,394	11,136	23,390	5,525
Income tax	(13,359)	(3,712)	(6,285)	(1,463)
Share of income (loss) of equity affiliates and joint ventures	2,427	(248)	(27)	0
INCOME (LOSS) OF THE CONSOLIDATED GROUP	33,462	7,176	17,077	4,062
<i>Attributable net income</i>	24,836	6,832	11,493	2,543
<i>Minority interests</i>	8,626	344	5,584	1,519

Fiscal year ended November 30, 2018 (in € thousands)

	Rhône-Alpes	Business Property and logistics	Other Regions	Head Office	Grand Total
Revenue	125,946	250,657	20,726	–	1,558,229
GROSS MARGIN	22,186	56,478	5,869	–	300,002
Sales expenses	(2,831)	(435)	(192)	(9,147)	(36,433)
Administrative expenses	(3,953)	(5,264)	(1,178)	(34,376)	(74,541)
Technical and Customer service expenses	(1,676)	(502)	(76)	(1,444)	(21,487)
Development and program expenses	(2,061)	(6,364)	(141)	(1,588)	(30,357)
Reallocation of share of corporate re invoicing	(4,236)	(4,134)	(721)	28,261	
CURRENT OPERATING INCOME	7,429	39,779	3,561	0	137,184
Other non-recurring income and expenses					–
OPERATING INCOME	7,429	39,779	3,561	0	137,184
Cost of net financial debt and other financial income/expenses	400	(5,862)	(462)	(5,862)	(8,707)
Reallocation of cost of net financial debt	(533)	(521)	(91)	5,862	–
PRE-TAX INCOME OF CONSOLIDATED COMPANIES	7,296	33,729	3,008	0	128,478
Income tax	(3,105)	(11,651)	239	0	(39,335)
Share of income (loss) of equity affiliates and joint ventures	1,546	215	(18)		3,894
INCOME (LOSS) OF THE CONSOLIDATED GROUP	5,736	22,294	3,228	0	93,036
<i>Attributable net income</i>	5,737	22,015	(486)	0	72,971
<i>Minority interests</i>	0	278	3,714		20,065

Fiscal year ended November 30, 2017

(in € thousands)

	Île-de-France	West ^(a)	Southwest	Southeast
Revenue	430,062	165,516	342,888	174,747
GROSS MARGIN	84,155	30,748	60,038	30,779
Sales 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 share of corporate reinvoicing	(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
Attributable	19,336	7,070	11,298	4,243
Minority interests	7,073	250	9,690	1,699

(a) Financial statements adjusted following a new geographical split between the West segment and Other Regions segment.

Fiscal year ended November 30, 2017

(in € thousands)

	Rhône-Alpes	Business Property and Logistics	Other Regions ^(a)	Head Office	Grand Total
Revenue	95,022	142,069	40,495	–	1,390,798
GROSS MARGIN	18,678	34,262	10,472	–	269,132
Sales 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 share of corporate reinvoicing	(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
Attributable	4,726	10,733	1,708	0	59,118
Minority interests	85	42	6,909		25,749

(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 flows

The group's net cash flow totaled €253.4 million at November 30, 2018, up €32.2 million from November 30, 2017, when it totaled €221.1 million. The change is analyzed below:

<i>(in € thousands)</i>	November 30, 2018	November 30, 2017
Cash flow from operating activities	145,147	106,863
Cash flow from (used in) investing activities	3,294	(13,759)
Free cash flow	148,442	93,104
Cash flow from (used in) financing activities	(116,148)	9,852
Increase (decrease) in cash	32,294	102,956
CASH AT START OF PERIOD	221,065	118,108
CASH AT END OF PERIOD	253,358	221,065

Cash flow from operating activities

Cash flow generated by operating activities totaled €145.1 million versus €106.9 million at November 30, 2017, an increase of €38.3 million. The change in cash flow generated from operating activities was primarily due to:

- a cash flow increase of €25.5 million to €163.6 million;
- a €5.7 million increase in the change in operating Working Capital Requirement (excluding current taxes), from -€5.3 million at November 30, 2017, to -€11.1 million at November 30, 2018;
- an €18.5 million decrease in taxes paid to €7.3 million, versus €25.8 million at the end of November 2017.

The change in Operating Working Capital Requirement for fiscal year 2018 corresponds to an -€11.1 million increase, compared to a negative change of -€5.3 million at November 30, 2017.

Operating Working Capital Requirement (WCR) (excluding current taxes) totaled €153.3 million at the end of November 2018, versus €139.9 million at the end of November 2017, an increase of €13.5 million. The change in operating WCR items can be attributed to a €11.9 million increase in inventories, a €66.2 million rise in accounts receivable, a €53.9 million increase in trade payables and a -€61.0 million change in other assets and liabilities including current taxes. WCR amounted to 7.1% of revenue at November 30, 2018, compared to 10.6% for the same period in 2017.

Cash flow from (used in) investing activities

Cash flow from investing activities amounted to €3.3 million, versus -€13.8 million in fiscal year 2017. They primarily consist of the following:

- -€8.1 million in disbursements for acquisitions of property, plant and equipment and intangible assets;
- -€0.05 million related to the acquisition of financial assets (loans) granted as part of real estate projects;
- -€11.1 million in investments in equity-accounted companies.

Cash flow from (used in) financing activities

Cash flows from financing activities amounted to -€116.1 million versus -€9.8 million in 2017. These primarily consist of the following:

- -€13.9 million in dividends paid to shareholders;
- -€23.6 million in distributions to minority interests and -€3.2 million in acquisitions of stakes in minority interests;
- -€6.6 million in purchases of treasury shares;
- - €50 million mainly equating to the reimbursement of the 2016 syndicated Senior Loan – Tranche B (partial redemption of €50 million);
- -€18.8 million in net financial interest paid.

2.4.2. Debt position

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.

This breaks down as follows:

<i>(in € thousands)</i>	November 30, 2018	November 30, 2017
Syndicated lines Tranches A and B – Senior Facilities	50,000	100,000
Bond	150,000	150,000
Other borrowings	2,595	2,785
Credit facilities utilized	1,087	1,757
Loan arrangement costs	(439)	(510)
Fair value of derivatives	113	124
GROSS FINANCIAL DEBT	203,357	254,156
of which non-current	199,652	249,615
of which current	3,705	4,541

At November 30, 2018, the group's gross financial debt totaled €203.4 million, including €199.7 million in non-current debt (comprising primarily the bonds and Tranche B of the Syndicated lines of credit – Senior Facilities), and €3.7 million in current debt. It amounted to €254.2 million at November 30, 2017 with a 5.6 year maturity compared with 5.2 year at end-November 2018.

At November 30, 2018, the group undertook early redemption of €50 million on its syndicated line of credit Tranches B thus taking its amount to €50 million.

At end-November 2018, the group had bond borrowings worth €150 million, comprising a tranche of €50 million (maturity May 2024), and a tranche of €100 million (maturity May 2025), €50 million of syndicated lines (Senior Credit) comprise a Tranche B for €50 million (in fine) and €100 million of Revolving credit (not drawn at November 30, 2018).

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:

Ratio at the end of each six-month period (2016 Senior Credit)	Threshold
Leverage ratio ^(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 the net income of the consolidated group before tax on income and 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, and income and expenses relating to the non-financial compensation of employees); and capital gains or losses from the sale of assets, less 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, 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.

For the accounting half-year periods from November 2017 until the bond is repaid, the group must comply with two ratios, calculated on a consolidated basis, whose levels have been defined as follows:

Ratio at the end of each six-month period Ratio at each six-month period end	(Bond Issue)
Leverage ratio ⁽¹⁾	≤ 3.0
Debt/equity ratio ⁽²⁾	≤ 2.5

(1) I.e. the 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 net income of the consolidated group before tax on income and 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, and income and expenses relating to the non-financial compensation of employees); and capital gains or losses from the sale of assets, less revenue from minority interests.

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

- (c) Adjusted shareholders' equity = consolidated shareholders' equity at November 30, 2016, plus income aggregated from December 1, 2016 to the end of the relevant quarter, minus the 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.

Calculation of financial ratios to date:

Ratio at November 30, 2018	Threshold at date ⁽¹⁾	Ratio to date
Leverage ratio ^(a)	≤ 3.0	(0.31)
Debt/equity ratio ^(b)	≤ 2.0/2.5	(0.16)

(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, 2018	Maturity	Type	Rate ^(a)
Senior Facilities Agreement Monday, April 4, 2016					
B facility	50,000	50,000	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 issue May 18, 2017					
7-year bond issue	50,000	50,000	May 2024	Fixed	2.88%
8-year bond issue	100,000	100,000	May 2025	Fixed	3.20%
TOTAL	300,000	200,000	-	-	-

(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 (€0.072 million in 2018) and hedging was 3.38% versus 5.43% in 2017 (with €3.2 million to deferred arrangement costs in 2017); the difference is primarily due to

the recognition of the balance of the 2016 Senior Facilities Agreement arrangement costs at the end of fiscal year 2017 plus a full year of financial costs on the bond issues put in place in May 2017.

2.4.2.2. Main changes in gross financial debt

(in € thousands)

November 30, 2018

Gross financial debt at November 30, 2017	254,156
Repayment of 2016 Senior Facilities line – Tranche A and Tranche B	(50,000)
Issuance expenses	72
Change in other borrowings and finance leases	(190)
Change in the fair value of derivative instruments	(11)
Change in credit facilities	(670)
Gross financial debt at November 30, 2018	203,357
Change in gross financial debt in 2018	(50,799)

Gross financial debt shows a variation between November 30, 2017 and November 30, 2018 of €50.1 million which is mainly due to the early redemption of the syndicated line of credit for the Senior Facilities

Agreement of April 4, 2016. The tranche (B) was partly reimbursed in advance by €50 million, thus reducing the amount from €100 million to €50 million.

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

(in € thousands)

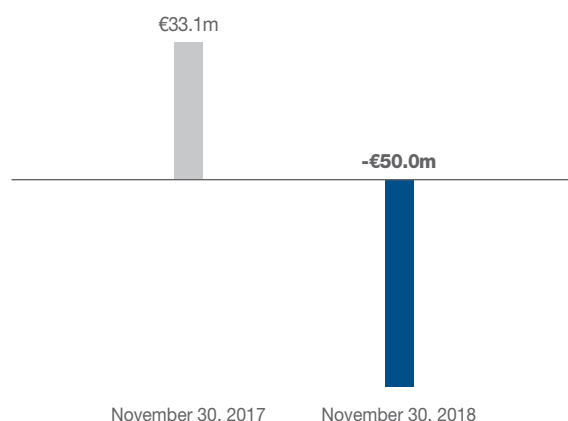
November 30, 2018

November 30, 2017

Shareholders' equity	261.8	215.4
Financial debt *	203.4	254.2
Financial debt maturing within 1 year	3.7	4.5
Financial debt maturing between 1 and 5 years	199.7	249.6
Maturity	5.2 years	5.6 years
* of which:		
Loan arrangement costs	(0.4)	(0.5)
Fair value of derivatives	0.1	0.1
Credit facilities utilized	1.1	1.8
Senior facilities	50.0	100.0
Bond	150.0	150.0
Other borrowings	2.6	2.8

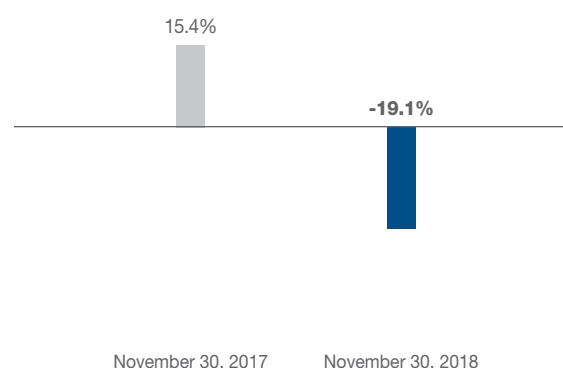
2.4.2.3. Changes in net financial debt

NET FINANCIAL DEBT



Net financial debt means the gross financial debt, less cash and cash equivalents. At November 30, 2018, net financial debt was reduced by €83.1 million compared to November 30, 2017, resulting in a net positive cash position of -€50.0 million.

GEARING



The gearing ratio (the net financial debt to consolidated shareholders' equity ratio) was -19.1% at November 30, 2018, versus 15.4% at November 30, 2017, reflecting both a €83.1 million decline in net debt and a €46.3 million rise in shareholders' equity between the two fiscal years.

2.4.2.4. Swap agreements – Interest rate risk hedging

The interest rate risk management policy is intended to limit and control fluctuations in interest rates and their impact on net earnings and cash flow, so that the total cost of debt remains acceptable. To achieve this objective, the group hedges its floating rate loan interest flows using interest rate swaps. The latter are derivatives hedging the cash flows. These are recognized on the balance sheet at fair value. Kaufman & Broad applies cash flow hedge accounting. As part of the new syndicated line of credit, the group has also committed to maintaining the hedging in place to the tune of 50% of the borrowings

for the two years following the loan contract signature date, i.e., until April 4, 2018.

Interest rate risk is hedged 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, 2018.

Type of Value	Notional amount (in € millions)	Fixed rate	Maturity		Type	Fair value at November 30, 2018 (in % of nominal)	Book value at November 30, 2017 (in % of nominal)
			Start date	End date			
EUR 1M fixed-rate swap	20	0.2975%	May 31, 2017	April 1, 2021	Hedge	-0.57%	-0.62%

The fair value of these derivatives is measured 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, 2018 was -€74 thousand.

2.5. Events after the balance sheet date

Refinancing of Kaufman & Broad SA's Bank Debt

On February 1, 2018, Kaufman & Broad announced it had signed a syndicated loan agreement of €250 million with an initial 5-year maturity. This loan replaces the current Senior and RCF loans worth respectively €50 million and €100 million. The implementation of this corporate line will enable the Company to prolong the maturity of its resources and improve the cost, while providing it with greater flexibility in terms of utilization according to needs/opportunities, on top of its available cash. For the first time in the real estate development sector this facility includes a positive incentive mechanism linked to several CSR indicators, reflecting the Company's environmental commitment. It has been underwritten by several first tier French and European banks (Arkea Banque Entreprises et Institutionnels, Banque Espirito Santo et de La Venetie (BESV), Banco Sabadell, Banque Européenne du Crédit Mutuel (BECM), La Banque Postale, BNP Paribas, Crédit Agricole Corporate and Investment Bank (CACIB), Société Centrale

Pour Le Financement De L'immobilier (SOCFIM), Société Générale). BNP Paribas and Crédit Agricole Corporate and Investment Bank intervened as Mandated Arrangers and have advised Kaufman & Broad on the CSR aspects as Sustainability Coordinators. Gide Loyrette Nouel advised Kaufman & Broad and De Pardieu Brocas Maffei worked with the lenders.

Dividends

At the General Meeting of Shareholders on May 2, 2019, Kaufman & Broad SA's Board of Directors will propose the payment of a dividend of €2.50 per share, an increase of 19% compared with the dividend paid for 2017 (€2.10 per share). A proposal will also be made at this Shareholders' Meeting to give Kaufman & Broad's shareholders the option to receive this dividend in cash, or in cash and shares.

There were no significant events after the balance sheet date.

2.6. Events following closure of the accounts

Conseil d'État ruling– St Tropez transaction

The concession agreement to a Kaufman & Broad SA subsidiary on a real estate transaction launched by the group in 2012, subject to appeal, was canceled by a *Conseil d'État* ruling in March 2019 without the acts, including the sales, undertaken by its application being undermined.

Corporate GOVERNANCE

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3.1. Members of the Company's Administrative and Management Bodies

3.1.1. Board of Directors

3.1.1.1. Members of the Board of Directors

At the date of publication, the Kaufman & Broad SA Board of Directors was made up of ten Board members from different, complementary backgrounds and varied profiles:

Name	Age ⁽¹⁾	Compensation and Nominating Committee	Audit Committee	Investment Committee	Board of Directors	Years of service on the Board	Date of first nomination	End of term ⁽²⁾	Number of shares in the Company	Percentage of direct or indirect holding in the Company
Chairman and Chief Executive Officer										
Nordine Hachemi	57				✓	5	June 25, 2013	2020	24,207 ⁽³⁾	2.8%
Independent Directors										
Sylvie Charles	59		✓	✓	✓	6	Feb. 16, 2012	2020	250	-
Jean-Louis Chaussade	67	✓			✓	2	Jan. 21, 2017	2018	264	-
Yves Gabriel ⁽⁷⁾	68	✓	✓	✓	✓	3	March 8, 2016	2018	250	-
Sophie Lombard	49	✓	✓	✓	✓	11	July 10, 2007	2020	263	-
Caroline Puechoultres	49				✓	4	Sept. 30, 2014	2020	250	-
Lucile Ribot	52		✓		✓	1	May 3, 2018 ⁽⁴⁾	2020	250	-
Board member representing employee shareholders										
Karine Normand	49				✓	1	May 3, 2018 ⁽⁵⁾	2020	11,229 ⁽⁶⁾	0.1%
Other Directors										
Michel Paris	61				✓	3	July 7, 2015	2018	269	-
Frédéric Stévenin	52				✓	11	July 10, 2007	2020	250	-

(1) On February 21, 2019

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

(3) Nordine Hachemi holds 24,207 shares through the company RKCI, of which he is the sole shareholder. Moreover, he owns 25.1% of the share capital of Artimus Participations, which itself held 10.62% of the company's share capital at February 28, 2019 (i.e. 582,572 shares).

(4) Lucile Ribot was appointed by the General Assembly on May 3, 2018.

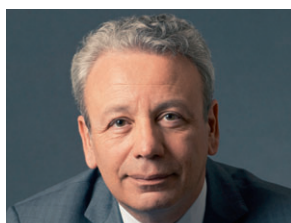
(5) Karine Normand was appointed by the General Assembly on May 3, 2018.

(6) Karine Normand owns 11,229 shares. Moreover, she owns 0.36% of the share capital of Artimus Participations, which itself held 10.62% of the company's share capital at February 28, 2019, i.e. 8,439 Kaufman & Broad shares.

(7) Yves Gabriel was appointed Lead Director on January 29, 2019.

At the date of publication, with the exception of Nordine Hachemi and Karine Normand, no member of the Board of Directors held any other roles within one of the group's companies.

Chairman and Chief Executive Officer



Nordine Hachemi

Kaufman & Broad SA

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

Other roles and offices held

Chairman of RKCI, Manager of SCI MD Raphael, Chairman of Artimus Participations.

Other information

Nordine Hachemi has an MBA from INSEAD and an engineering degree from ENSPM.

After an international career with Bouygues Construction, in 2001, he joined the Saur group, as Chairman.

From 2008 to 2011, he was Chairman and Chief Executive Officer of Sechilienne Sidec.

He was co-opted into the Board of Directors on June 25, 2013 and joined Kaufman & Broad on July 1, 2013 as Chief Executive Officer and Vice-Chairman of the Board of Directors.

He has been 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

* Chair of the Audit Committee.

Primary role held outside the Company

Chief Executive Officer of Transport Ferroviaire et Multimodal de Marchandises, part of SNCF Logistics.

Other roles and offices held

President of Transport Ferroviaire Holding, President of VFLI, President of Europe Intermodal Holding (EIH), President of Transport Ferroviaire Services, member of the Geodis SA Supervisory Board, Independent Director of the SANEF group. Chair of the Board of Directors of Lorry Rail (Luxembourg) and Vice-President of BLS Cargo (Switzerland).

Other information

Sylvie Charles is a graduate of the Institut d'Études Politiques in Paris and an alumna of ENA.

In 1993, she was appointed Chief Executive Officer of the Cariane group, and in 1999, she became Executive Vice-President of the Générale de Transport et d'Industrie.

She served as Advisor to the Chair of STVA group's Management Board from 2001 to 2004, when she became Chair of the Management Board.

Since February 2010, Sylvie Charles has been Head of the Pôle Entreprises et Prestataires ferroviaires at SNCF Logistics, which incorporates Fret SNCF and all the group's rail freight companies, including those abroad; in October 2013, this scope was extended to multi-modal entities.



Jean-Louis Chaussade

SUEZ

Tour CB21 – 16 place de l'Iris, 92040 Paris La Défense

Primary role held outside the Company

Chief Executive Officer of the SUEZ group.

Other roles and offices held

Member of the Board of Directors of Criteria Caixaholding SAU (Spain).

Chairman of the Board of Directors of the *Université de Technologie* of Compiègne.

Chairman of the Board at Suez NWS Ltd (Hong Kong).

Director of the *Institut du Capitalisme Responsable*.

Other information

Jean-Louis Chaussade started his career at Degrémont in 1978 and was then appointed Chief Operating Officer of Degrémont Spain in Bilbao in 1989. During this time, he served on the Board of Directors of Aguas in Barcelona. Jean-Louis Chaussade then became 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 Chief Operating Officer of Engie for South America.

He became Chairman and Chief Executive Officer of Degrémont in 2000 and, in 2004, Deputy CEO of Engie and Chief Executive Officer of Suez Environnement.

Since July 23, 2008, Jean-Louis Chaussade has been Chief Executive Officer of Suez, listed on Euronext Paris and Brussels (€15.9 billion in revenue and 88,000 employees in 2017).

Jean-Louis Chaussade is Co-Chair of the France China Committee and Chairman of the Franco-Algerian Business Leaders Board, part of MEDEF International. He also chairs AFEP's "circular economy" group.

Jean-Louis Chaussade has an engineering degree from ESTP and a master's degree in economics. He is also a graduate of the *Institut d'Études Politiques de Paris* and of Harvard Business School's Advanced Management Program.



Yves Gabriel *

Yves Gabriel Consulting

21 bis, route de Choisel, 78460 Chevreuse

* Lead Director

Primary role held outside the Company

President of Yves Gabriel Consulting.

Other roles and offices held

President of Yves Gabriel Consulting, Senior Advisor at Oliver Wyman, Strategic Advisor at Impulse Partners, Director of the insurance company SMABTP. Since January 29, 2019, Yves Gabriel has been appointed Lead Director on the Board. He is also Independent Director and chairs the Compensation and Nominating Committee since March 8, 2016.

Other information

Graduate of *École Nationale des Ponts et Chaussées*.

Yves Gabriel was Chairman and Chief Executive Officer of Bouygues Construction and member of the Bouygues group's Board of Directors from 2002 to 2015.

From 1996 to 2002, he was Chief Executive Officer of the SAUR group and Chief Executive Officer of the SCREG group from 1992 to 1996.

Before that, he held management roles in different subsidiaries of the SCREG and Bouygues groups.



Sophie Lombard

Parvilla

38, rue Mermoz, 75008 Paris

Primary role held outside the Company

Deputy CEO, Parvilla (Private Equity fund management company).

Other roles and offices held

Member of La Banque Postale's Supervisory Board; Member of Citizen Capital's Investment Committee.

Other information

Sophie Lombard is a graduate of EDHEC Business School and has an MBA from Columbia Business School in New York City.

Sophie Lombard worked for PAI Partners from 2001 to 2012.

She previously spent three years at Société Générale, in the Capital Markets and Derivatives Department, and four years at Deutsche Bank in the LBO Department in London and Paris.

Sophie Lombard was a member of the Stoeffler group's Board of Directors from 2003 to 2008, of Chr. Hansen group's Board of Directors from 2005 to 2010, of the Yoplait group's Board of Directors from 2010 to 2011, and the Marcolin group's Board of Directors in 2012 and a Financière Gaillon Director from 2007 to 2017.



Caroline Puechoultres

Carrefour

93, avenue de Paris, 91432 Massy

Primary role held outside the Company

Director Strategy & Clients Carrefour Market.

Other roles and offices held

Member of the Lexibook (listed company) Board of Directors.

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 until September 2015, she was Executive Vice-President in charge of Strategy and Marketing for the online travel agency Karavel-Promovacances. In October 2015, she joined the multimodal digital tourism start-up Simpki as Executive Vice-President to reinforce the founding team and work on a strategic pivot before its funding stage.

Starting in July 2016, Caroline Puechoultres became Marketing & Strategy Director for Intermarché and joined the supermarket brand's Management Committee, in charge of steering and overseeing new corporate strategy and developing the brand's new sales and marketing policy. Since February 2019, Caroline Puechoultres has been Director Strategy & Clients at Carrefour Market.



Lucile Ribot

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

Primary role held outside the Company

Independent Director of HSBC France, member of the Audit and Risk Committees.

Independent Director of Solocal group, member of the Audit Committee.

Independent Director of Imerys, member of the Audit Committee.

Other roles and offices held

Independent Director of HSBC France, member of the Audit and Risk Committees.

Independent Director of Solocal group, member of the Audit Committee.

Independent Director of Imerys, member of the Audit Committee.

Other information

After graduating from HEC in 1989, Lucile Ribot started her career at Arthur Andersen where she oversaw audit and financial advisory projects for large international groups.

In 1995, she joined the industrial engineering group Fives before becoming the group's Chief Financial Officer in 1998, member of the Management Board in 2002. She contributed to the Fives group's growth and strategic development up until 2017.

Other Directors



Michel Paris

PAI Partners

232, rue de Rivoli, 75001 Paris

Primary role held outside the Company

Chairman of the PAI Partners Executive Committee.

Other roles and offices held

Chairman of PAI Partners SAS, Member of the Supervisory Board at Financière Verdi III (Ethypharm); Lilas France SAS (Labeyrie); Chairman and Board member of PAI Partners AB, PAI Partners S.R.L., PAI Partners SL, PAI Europe VII GP SAS, Board member of Financière EMG SAS (Euro Media group), PAI Europe III General Partner Ltd, PAI Europe IV General Partner Ltd, PAI Europe V General Partner Ltd, PAI Europe VI General Partner Ltd, PAI Syndication GP Ltd, financière kilinvest (Kiloutou group); Non-Voting Member of the Supervisory Board of Financière Sun (B&B); observer of Perstorp Holding AB; manager of PAI Partners S.à r.l., PAI Europe VI Finance S.à r.l., PAI Europe VII Finance S.à r.l., Financière Daunou 17 S.à r.l., Carolles Participations SC and Granville Holdco SC.

Other information

Michel Paris joined PAI Partners in 1994.

He is Chairman of the Executive Committee and Head of the Retail, Industrial Goods, and Services teams.

Michel Paris has more than 30 years experience in corporate investment. He contributed to a number of transactions, including those concerning Sogeres, Bouygues Telecom, Atos, Elixir, Frans Bonhomme, Elis, Vivarte, Saur, Coin, Kwik Fit, Cortefiel, Monier, Xella, and EMG.

Previously, he spent two years at Valeo.

Michel Paris is a graduate of *École Centrale de Lyon* (1980) and *École Supérieure de Commerce* in Reims (1982).



Frédéric Stévenin

PAI Partners

232, rue de Rivoli, 75001 Paris

Primary role held outside the Company

Partner, member of the Executive Committee, member of the Investment Committee, and Head of the Consumer Goods and Health Teams at PAI Partners.

Other roles and offices held

Board member of PAI Partners UK, PAI Europe III General Partner Ltd; Chairman of the Supervisory Board Financière Sun SAS (B&B Hotels). Member of the Supervisory Board of Financière Verdi III (Ethypharm); Board member of Lary 3 AB (Atos Medical); Board member of Froneri Limited (Froneri); member of the Supervisory Board of Refresco Group N.V. Chairman of LB PAI HoldCo SAS and member of the Supervisory Board of Lilas France SAS (Labeyrie); Board member of 3 Cime SpA, of Marcolin SpA, of Marmolada SpA (Marcolin); Board member of Koos Holding Coöperatief UA (Roompot); Manager of B TecFin Sarl (Elitech); Manager of G.A.V.U. Gestion Sprl and Alta Rocca Investissements SCI.

Other information

Frédéric Stévenin first joined PAI Partners in 1993, after four years in Paribas' Private Banking Division and five years in the Food Processing Division.

In 1998, he joined Deutsche Bank's LBO Department as a Director and then as Managing Director. Frédéric Stévenin returned to PAI Partners in June 2001. Frédéric Stévenin was a member of the Board of Directors of Provimi SA from 2004 to 2007, of the Panzani group from 2002 to 2007, of United Biscuits from 2008 to 2014, of the Saeco group from 2004 to 2009, and of the Yoplait group from 2002 to 2011.

Board member representing employee shareholders



Karine Normand

Accounting and Consolidation Department

Kaufman & Broad group

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

Other roles and offices held

Chair of the Supervisory Board of FCPE KB Actions 2017.

Other information

Karine Normand is a graduate of *École Supérieure de Commerce* in Brest and has a DESCF (French finance and accounting degree). She joined the group in 2003 as Head of the Accounting Teams and then the consolidation teams starting in 2008. As part of the Financial Division, she worked on the capital restructuring, in particular during PAI Partners' purchase of a stake in Kaufman & Broad SA in 2007 and the subsequent sale of this stake in 2016-2017) and in the group's information system upgrade and its shift to paperless supplier invoices.

From 1992 to 1997, Karine Normand started her career at the accounting and audit firm SEFICO (Paris 16th arrondissement). From 1997 to 2003, she was the Chief Administrative and Financial Officer of Checkpoint Systems France, a subsidiary of the American group Checkpoint Systems Inc., a specialist in electronic solutions against shrinkage in retail.

Karine Normand has been Chair of the FCPE KB Actions 2017 Supervisory Board since January 2018.

At the AGM called on to approve the financial statements for fiscal year 2018, shareholders will vote on the renewal of the director mandates of Michel Paris, Jean-Louis Chaussade and Yves Gabriel.

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.

In virtue of the Internal Rules of the Kaufman & Broad SA Board of Directors, each member of the Company's Board of Directors must hold at least 250 shares. All of the directors have met this obligation. In application of Article 10 bis of the Company bylaws, the director representing employee shareholders is not bound to this obligation of ownership.

The Company's directors declare that, in the past five years at least, they have not experienced or been subject to:

- conviction for fraud;
- bankruptcy, sequestration, or liquidation;
- incrimination and/or official public sanction by the statutory or regulatory authorities, including designated professional bodies;
- court order prohibiting them from serving on a Board of Directors, a Management Board, or a Supervisory Board of an issuing company or from intervening in the management or business of an issuing company.

Service contracts between the members of the Board of Directors and the Company or one of its subsidiaries

There are no service contracts between the members of the Board of 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 June 2018, 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 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 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 Kaufman & Broad SA Board of Directors 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.

The Company's Board of Directors has established Internal Rules. These were last updated on September 27, 2018, when provisions relating to the directors' compensation were amended.

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>).

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);
- 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 7, 2018, 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 February 21, 2019, 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.

Hence the Board of Directors appointed Yves Gabriel, Independent Director, as the Lead Director at the session of January 29, 2019.

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.

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.

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. These are Sylvie Charles, Jean-Louis Chaussade, Yves Gabriel, Sophie Lombard, Caroline Puechoultres and Lucile Ribot.

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.

3.1.1.2.9. Fees allocated to Board members

At the Combined Ordinary and Extraordinary Shareholders' Meeting of May 3, 2018, the total amount of directors' fees allocated annually to the Board of Directors was set at €400,000 as from the fiscal year ended November 30, 2018 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 Internal Rules of the Board of Directors, at the last update, approved by the Board of Directors on September 27, 2018, stipulate that directors' fees are spread between Board members with no function in the Kaufman & Broad group for their director mission. Directors' attendance fees are paid according to the number of Board of Directors meetings attended (in person or by video-conference) during the fiscal year. A portion set by the Board of Directors, raised on the amount of attendance fees allocated to the Board of Directors, is paid to the members of the different committees with no function within the Kaufman & Broad group and, as need be, to the Lead Director, as a function of their presence at the meetings of these committees.

On the recommendation of the Compensation and Nominating Committee, the Board of Directors, at its meeting on January 29, 2019 resolved to pay directors' fees for 2018:

- for a maximum individual amount of €50,000 to the directors of the Company who are considered independent;
- for a maximum individual amount of €26,800 to the Company's other directors, with the exception of the Chairman and Chief Executive Officer and the director representing the employee shareholders who do not receive directors' fees.

Directors' fees allocated to each director for fiscal year 2018 take into account the attendance of each of them at the meetings of the committees and of the Board of Directors.

3.1.1.2.10. Annual Assessment of the Board of Directors

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, 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 2018 were delivered to the directors at the meeting of February 21, 2019. 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 2018

The table below gives the attendance rate per director at the Board of Director meetings:

Members	Presence at meeting	Total number of meetings	Individual attendance rate
Sylvie Charles	5	6	83%
Jean-Louis Chaussade	3	6	50%
Yves Gabriel	6	6	100%
Sophie Lombard	6	6	100%
Caroline Puechoultres	5	6	83%
Lucile Ribot	3	3	100%
Karine Normand	3	3	100%
Michel Paris	4	6	67%
Frédéric Stévenin	3	6	50%

(1) Lucile Ribot was appointed by the AGM of May 3, 2018.

(2) Karine Normand was appointed by the AGM of May 3, 2018.

In fiscal year 2018, the Board of Directors met seven times (the attendance rate of Directors at Board meetings was 82%):

- on **January 29, 2018**, the Board of Directors met, attended by five 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,
- Vélizy and Canon transaction updates,
- marketing;
- 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 on 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;
- on **April 10, 2018**, the Board of Directors' meeting was attended by eight members. The Board discussed the following agenda:
 - minutes of the Audit Committee meeting of April 10, 2018,
 - review of the financial statements for the first quarter of 2018,
 - *Grand Projet Résidentiel* presentation;
- on **May 3, 2018**, the Board of Directors met, attended by six members. The Board discussed the following agenda:
 - proposed reappointment of Nordine Hachemi as Chairman of the Board of Directors exercising executive management of the Company,
 - setting of the fixed and variable compensation awarded to Nordine Hachemi, as Chairman and Chief Executive Officer,
 - authorization of commitments in favor of Nordine Hachemi with regard to his office (severance pay, non-compete indemnity, complementary pension, etc.), pursuant to Article L. 225-42-1 of the French Commercial Code,
 - option for payment of the dividend in shares – setting of the issue price in shares,
 - implementation of the share buyback program,
 - 2018 bonus share plan – determination of vesting conditions,
 - assessment of the operation of the Board of Directors,
 - GDPR presentation;
- on **July 10, 2018**, the Board of Directors met, attended by nine members. The Board discussed the following agenda:
 - report of the Audit Committee – minutes of the meeting of July 10, 2018,
 - business activities in the first half of 2018,
 - review and approval of the half-yearly Consolidated Financial Statements at May 31, 2018,
 - update III: Presentation of the revised 2018 Plan,
 - progress review on development,
 - assessment of the operation of the Board of Directors,
 - adoption of the new Internal Rules for the Board of Directors;
- on **September 27, 2018**, the Board of Directors met, attended by nine members. The Board discussed the following agenda:
 - report of the Audit Committee – minutes of the meeting of September 27, 2018,
 - presentation of the estimated consolidated financial data at August 31, 2018,
 - Update IV: Presentation of the revised 2018 Plan,

- review and approval of the revised draft management documents for 2018 and of the report analyzing those documents,
- proposed appointment of Lucile Ribot as member of the Audit Committee,
- adoption of the new Internal Rules for the Board of Directors.

Since November 30, 2018, the Board of Directors has met twice:

- on **January 29, 2019**, the Board of Directors meeting was attended by nine members. The Board discussed the following agenda:
 - presentation by the Chairman of the Board of Directors of the report for 2018 and the 2019 forecasts,
 - report of the Audit Committee: Minutes of the meeting of January 25, 2019,
 - review of the estimated consolidated financial data at November 30, 2018,
 - approval of the 2019 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 2018 annual results,
 - report of the Compensation and Nominating Committee: Minutes of the meeting of January 15, 2019,
 - compensation of corporate officers and management for 2018,
 - proposal for the appointment of a Lead Director,
 - appointment of a new member of the Compensation and Nominating Committee,
 - amount of directors' fees: Breakdown for fiscal year 2018,
 - adoption of new Internal Rules,
 - structured employee shareholding – implementation of a leveraged FCPE,
 - refinancing of the Senior Debt;
- on **February 21, 2019**, the Board of Directors meeting was attended by nine members. The Board discussed the following agenda:
 - report of the Audit Committee: Minutes of the meeting of February 19, 2019,
 - 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, 2018,
 - 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,
- renewal of the authority to make pledges and guarantees,
- renewal of the share buyback program,
- review of Company policy regarding gender and pay equality,
- report of the Compensation and Nominating Committee: Minutes of the meeting of January 30, 2019,
- compensation of corporate officers and management for 2019,
- award of bonus shares,
- scrutiny and approval of the Corporate Governance report,
- recording of the end of the terms of office of directors – proposal to reappoint them,
- notice of meeting of a Combined Ordinary and Extraordinary Shareholders' Meeting and setting the agenda and the text of the draft resolutions,
- prior approval of the services provided by the Statutory Auditors.

3.1.1.2.12. Description of the diversity policy within the Board of Directors pursuant to Article L. 225-37-4 6° of the Commercial Code

Based on recommendations from the Compensation and Nominating Committee, directors are appointed according to their qualifications, professional skills and independence of mind at the General Assemblies or via co-optation.

The composition of the Board reflects the diversity and complementarity of its members' experience and skills.

The presentation of each director as given in the present report (see above functioning of the Board – composition – list of roles and offices exercised by each director) gives insight into this diversity and experience complementarity.

Information on the fair representation of women and men on the Board of Directors

At the date of drafting of this report, the Board of Directors comprises 5 women amongst the 10 directors.

Sylvie Charles, Caroline Puechoultres, Lucile Ribot and Sophie Lombard are recognized as independent directors by the Board.

At the AGM on May 3, 2018, the shareholders appointed Karine Normand as a director attending Board meetings as a representative of employee shareholders.

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 at a Board meeting, 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 and Lucile Ribot, appointed on September 27, 2018.

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.

3.1.2.1.7. Audit Committee meetings in fiscal year 2018

The table below provides the attendance rate per member at the Audit Committee sittings:

Members	Presence at meeting	Total number of meetings	Individual attendance rate
Sylvie Charles	5	5	100%
Sophie Lombard	4	5	80%
Yves Gabriel	5	5	100%
Lucile Ribot	1	5	100%

* Lucile Ribot was appointed by the Audit Committee on September 27, 2018.

In fiscal year 2018, the Audit Committee met five times (the attendance rate of directors at Audit Committee meetings was 93%):

- on **January 26, 2018**, the Audit Committee met, attended by two members. The Board 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 on developments concerning major risks resulting from risk mapping;

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 paid to members of the administrative bodies".

3.1.2.1.6. Allocation of the directors' fees to be paid to members of the Audit Committee

A portion set by the Board of Directors and taken from the directors' fees allocated to the Board by the Shareholders' Meeting is paid to the Independent Directors on the Audit Committee who do not hold positions within the group (see paragraph 3.2.1.1. "Compensation paid to members of the administrative bodies").

- 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 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 tests on the H2 2017 Internal Control System and 2017 annual synthesis,
- 2018 tests schedule for the Internal Control System,
- 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;
- on **April 10, 2018**, the Audit Committee met, attended by three members. The Committee discussed the following agenda:
 - review of the financial statements for the first quarter of 2018,
 - presentation of the group's corruption risk mapping (Sapin II bill);
- on **July 10, 2018**, the Audit Committee met, attended by three members. The Committee discussed the following agenda:
 - review of business activities in the first half of 2018,
 - review of the estimated financial data for the first half of 2018 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 2018,
 - update III: Presentation of the revised 2018 Plan;
- on **September 27, 2018**, the Audit Committee met, attended by four members. The Committee discussed the following agenda:
 - review of the estimated consolidated financial data at August 31, 2018,
 - Update IV: Presentation of the revised 2018 Plan,
 - quarterly results of the internal control system tests.

Since November 30, 2018, the Audit Committee has met twice:

- on **January 25, 2019**, the Audit Committee met, attended by three members. The Committee discussed the following agenda:
 - review of the estimated consolidated financial data at November 30, 2018,
 - comments of the Statutory Auditors on the consolidated financial data estimated at November 30, 2018,
 - review of the 2019 budget,
 - presentation on developments concerning major risks resulting from risk mapping,
 - appointment of Deloitte & Associés, an independent third party body, to draw up the report on the corporate, environmental and societal information;
- on **February 19, 2019**, the Audit Committee met, attended by four members. The Committee discussed the following agenda:
 - review of the notes to the Consolidated Financial Statements at November 30, 2018,
 - review of the parent company financial statements at November 30, 2018 and the proposed appropriation of income for the fiscal year,
 - comments of the Statutory Auditors on the parent company financial statements at November 30, 2018,

- review of the Chairman's report on Corporate Governance and internal control,
- internal audit:
 - results of the tests on the H2 2018 Internal Control System and 2018 annual synthesis,
 - 2019 provisional schedule for the tests on the Internal Control System,
- presentation of the draft report of Deloitte & Associés, an independent third-party body, on the corporate, environmental and societal information included in the management report,

The Statutory Auditors attended all meetings of the Audit Committee and were also invited to make any observations they 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 is currently composed of 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 Jean Louis Chaussade, an Independent Director, appointed at the Board meeting of January 29, 2019 to replace Caroline Puechoultres, who has resigned.

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 factors in the criteria iterated in Section 3.2.1. of the Registration Document. 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 2018

The table below gives the attendance rate per member at the Compensation and Nominating Committee:

Members	Presence at meeting	Total number of meetings	Individual attendance rate
Yves Gabriel	3	3	100%
Sophie Lombard	3	3	100%
Caroline Puechoultres	2	3	67%

In fiscal year 2018, the Compensation and Nominating Committee met three times (the attendance rate of directors at meetings of the Committee was 89%):

- 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 director positions of Nordine Hachemi, Frédéric Stevenin, Sophie Lombard, Caroline Puechoultres, Sylvie Charles, proposed appointment of a new director representing employee shareholders,
- 2017 wage policy: compensation analysis and budget management,
- 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.
- award of bonus shares – proposed new plan; proposed performance criteria for the definitive award of shares to senior executives,
- amount of directors' fees – proposed allocation for 2017;
- 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 Stevenin, 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 met 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;

Since November 30, 2018, the Compensation and Nominating Committee has met twice:

- on **January 15, 2019**, the Compensation and Nominating Committee held a meeting attended by two members.

The Committee discussed the following agenda:

- 2018 wage policy: compensation analysis and budget management,
- compensation of the corporate officer and senior executives who are members of the Executive Committee for fiscal year 2018,
- compensation of the corporate officer for 2019 – long term compensation of the corporate officer – commitments in favor of the corporate officer,

- compensation of the senior executives who are members of the Executive Committee for fiscal year 2019,
- award of bonus shares,
- proposed renewal of the director mandates of Yves Gabriel, Michel Paris and Jean-Louis Chaussade,
- proposal for the appointment of a Lead Director,
- continuity plan for the duties of the corporate officer and top managers,
- amount of directors' fees – proposed allocation for 2018, proposed modification of the Board of Directors Internal Rules,
- proposed appointment of a new member of the Compensation and Nominating Committee to replace Caroline Puechoultres;
- on **January 30, 2019**, the Compensation and Nominating Committee held a meeting attended by two members.

The Committee discussed the following agenda:

- compensation of the corporate officer for 2019 – long term compensation of the corporate officer – commitments in favor of the corporate officer,
- compensation of the senior executives who are members of the Executive Committee for fiscal year 2019,
- award of bonus shares.

3.1.2.3. Investment Committee

3.1.2.3.1. Membership and duties

The Board's Internal Rules stipulate that the Investments Committee 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, Chair, Sylvie Charles, and Yves Gabriel.

The Investments Committee meets 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.

3.1.2.3.2. 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

No meeting of the Investments Committee took place in fiscal year 2018 in view of the lack of issues to discuss.

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 Vice-President Business Property and Major Urban Projects; Jacques Rubio – Senior Vice-President Southwest Region; 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.

He was co-opted into the Board of Directors on June 25, 2013 and joined Kaufman & Broad on July 1, 2013 as Chief Executive Officer and Vice-Chairman of the Board of Directors.

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

3.1.3.1.2. 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 Business 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 Business 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 Business Property and Major Urban Projects.

3.1.3.1.5. Jacques Rubio, General Manager, Grand Sud-Ouest

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 housing businesses. In January 2016, he became a member of the Executive Committee.

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

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 13 members: the members of the Executive Committee, as well as: Sophie Letierce, Director of Human Resources, Chrystèle Marchand, Director of Marketing, Digital and Communication; Frédéric Bourg, Senior Vice-President Île-de-France Operations; Cyril Doucet, Regional Senior Vice-President, Outer Paris Suburbs; Christophe Duretete, Regional Senior Vice-President Grand Ouest, Marc Speisser, Regional Senior Vice-President Grand Est; Thierry Verninas, Director of 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, Senior Vice-President Île-de-France - Inner Paris Suburbs Sector 3 (75, 92, 93 and 94 North)
 - Marc Vettraino, Regional Vice-President Sector 3 (92, 93 and 94 South)
 - Luc Le Gall, Agency Director Paris North (75,93)
 - Cyril Doucet, Regional Senior Vice-President Outer Paris Suburbs (77, 78, 91, 94 South and 95)
 - Krystel Briant, Agency Director Seine-et-Marne
 - Isabelle Charveriat, Agency Director Essonne and Val-de-Marne South
 - Mathieu Jaegle, Agency Director Yvelines
 - Agency Director Val d'Oise
 - Frédéric Bourg, Senior Vice-President Île-de-France Operations

Grand Ouest (Loire Atlantique – Brittany – Normandy – North Flanders – Champagne) and Grand Est (East -Rhône-Alpes – Savoie – Méditerranée – Côte d'Azur – Provence)

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

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

- Christophe Duretete, Senior Vice-President, Grand Ouest
 - Guillaume Basile, Agency Director Caen/Rouen/Le Havre
 - Christophe Duretete directs the Brittany Agency (Rennes)
 - Christophe Duretete directs the Pays de Loire Agency (Nantes/ Val de Loire)
 - Nicolas Riffart, Agency Director North Flanders

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

- Marc Speisser, Regional Senior Vice-President Grand Est
 - Thierry Guehenneuc, Agency Director Rhône-Alpes Agency (Lyon – Dijon)
 - Ludovic Landon, Agency Director Alpes Agency (Annecy – Grenoble)
 - Stéphane Thirroueiz, Agency Director Côte d'Azur Agency (Nice)
 - Nicolas Batisse, Agency Director, Provence (Toulon)
 - Xavier Granger, Agency Director Méditerranée (Marseille)
 - Thibaud Simon, Agency Director Est (Strasbourg)

Grand Sud-Ouest: Occitanie – Nouvelle Aquitaine – Poitou-Charentes

- Jacques Rubio, General Manager, Grand Sud-Ouest and Managed Accommodation
 - Julien Destouches, Agency Director Languedoc-Roussillon (Montpellier) and Pyrénées Orientales (Perpignan)
 - Geoffrey Doux, Agency Director Pyrénées-Atlantiques (Bayonne)
 - Georges Lopez, Agency Director Gironde (Bordeaux) and Poitou-Charentes (La Rochelle)
 - Pierre-Emmanuel Dao, Agency Director Midi-Pyrénées (Toulouse)
 - Marjorie Tempier, Agency Director Serge Mas Promotion (Toulouse)

Commercial Property, Urban Projects and Innovation

- David Laurent, General Manager Business Property, Urban Projects and Innovation
 - Patrick Decreton, Senior Vice-President Business Property Promotion
 - Charles Henri Billot, Senior Vice-President Development
 - Olivier Labadie, Director Commercialization and partnerships
 - Jean-Paul Rival, General Manager Property Logistics
 - Bertrand Eyraud, Director Urban Projects and Innovation

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 Développement 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. Directors' interest

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 January 29, 2019, resolved to pay a total amount of €239,533 in directors' fees for the fiscal year ended November 30, 2018, broken down as follows, based on the criteria listed in Section 3.1.2.2.9. "Directors' fees allocated to Board members":

Table 3 AMF Definitions

Non-executive corporate officers (amounts in €)	Directors' fees received by the non-executive corporate officers	
	Amount paid in fiscal year 2019	Amount paid in fiscal year 2018
Sylvie Charles	47,333	50,000
Jean-Louis Chaussade	13,400	22,333
Alexandre Dejoie	-	4,467
Yves Gabriel	55,000	50,000
Sophie Lombard	47,800	50,000
Caroline Puechoultres	28,333	29,800
Frédéric Stévenin	13,400	20,000
Michel Paris	17,867	20,000
Lucile Ribot	16,400	-
Karine Normand *	-	-
TOTAL	239,533	246,600

* The director representing employee shareholders does not receive director's fees.

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 2018, approximately 32% 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 52% 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) on the one hand, the implementation each year of universal bonus shares ("AGA"), for all employees, with an availability time frame of four years. The vesting of these for the Chairman and Chief Executive Officer and members of the Executive Committee, the Management Committee and the Enlarged Management Committee and subject to demanding and 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 2018 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 €)

Nordine Hachemi Chairman and Chief Executive Officer	Fiscal year ended November 30, 2018	Fiscal year ended November 30, 2017
Compensation for the fiscal year (detailed in Table 2)	1,425,878	1,442,453
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)	517,491 ⁽¹⁾	509,799
TOTAL	1,943,369	1,952,252

(1) The Board of Directors meeting of March 7, 2018 awarded 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. Full vesting of these shares would be subject to the same performance conditions as those provided for in the annual variable compensation in cash. On January 29, 2019, the Board of Directors noted the achievement of the performance conditions applicable to the 15,000 performance shares.

Table 2 AMF Definitions

Table summarizing the compensation paid to each executive corporate officer (amounts in €)

Nordine Hachemi Chairman and Chief Executive Officer	Fiscal year ended November 30, 2018		Fiscal year ended November 30, 2017	
	Amount due	Amount paid	Amount due	Amount paid
Fixed compensation	600,000 ⁽¹⁾	600,000	600,000	600,000
Annual variable compensation	793,000 ⁽⁴⁾	810,000 ⁽³⁾	810,000 ⁽³⁾	795,841 ⁽²⁾
Multi-year variable compensation	-	-	-	-
Exceptional compensation	-	-	-	-
Directors' fees	-	-	-	-
Benefits in kind	32,878	32,878	32,453	32,453
TOTAL	1,425,878	1,442,878	1,442,453	1,428,294

(1) The fixed compensation amount was approved by the Board of Directors on January 29, 2019.

(2) The variable compensation for fiscal year 2016 was approved by the Board of Directors on January 26, 2017 and paid in January 2017.

(3) The variable compensation for fiscal year 2017 was approved by the Board of Directors on January 29, 2018 and paid in February 2018.

(4) The variable compensation for fiscal year 2018 was approved by the Board of Directors on January 29, 2019.

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 2018, the Company paid a total of €25,401.60 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 24,207 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 10.62% of Kaufman & Broad SA. Nordine Hachemi directly and indirectly owns 2.8% 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, 2018

Name of executive corporate officer	N° 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, 2018 by each executive corporate officer

Options exercised during the fiscal year by each executive corporate officer	N° 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						
2018 Plan (1 st Plan) ^(a)	March 7, 2018	15,000	42.84	517,491	March 7, 2020	March 7, 2022
2018 Plan (2 nd Plan) ^(b)	May 3, 2018	10,000	43.80	236,010	May 3, 2021	May 3, 2022

(a) The Board of Directors meeting of March 7, 2018 awarded 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. Final award of these shares would be subject to the same performance conditions as those provided for in the annual variable compensation in cash, i.e.

- achievement of the quantitative criteria reflecting short-term performance indicators such as revenue, 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;
- achievement of the qualitative criteria, comprising criteria linked to team management, sentiment quality within the Company, control of operating expenses (including the payroll), return on equity capital, adaptation of the Company to technological developments and sound risk control.

On January 29, 2019 the Board of Directors noted the achievement of the performance conditions applicable to the 15,000 performance shares.

(b) At its meeting of May 3, 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 10,000 bonus shares to the latter, with a vesting period of three years and a lock-in period of one year. Moreover, the Board decided that these shares came with long term conditions assessed over 2018-2020 (CSR performance – Customer satisfaction – level of employee shareholding in the capital – TSR).

Table 7 AMF Definitions

Bonus shares vested during fiscal year 2018 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		None	

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 the Company supplemental defined-contribution pension plan as stipulated by Article 83 of the General Tax Code; the amount of the contribution paid by the Company on behalf of Nordine Hachemi was €25,401.60 for the 2018 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.

(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 General Assembly will vote on the quorum and majority conditions required for the Ordinary General Assemblies, after taking note of the Board of Directors' report on Corporate Governance drawn up in accordance with Articles L. 225-37-2 and L. 225-100 of the Commercial Code, the fixed, variable and exceptional items of the total compensation and benefits vested to the Chairman and Chief Executive Officer for the fiscal year ended November 30, 2018, as presented in Section 2.2 of the above mentioned report, included in Section 9.5. of the current Registration Document (and Section 9.1. Agenda and Resolutions of the Shareholders' Meeting of May 2, 2019 at the "Eleventh resolution").

Compensation components due or awarded to Nordine Hachemi, Chairman and Chief Executive Officer for the fiscal year ended November 30, 2018, subject to the vote of the shareholders

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 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 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.

At the meeting of the Board of February 21, 2019, the fixed annual compensation of Nordine Hachemi was maintained at €600,000 gross for fiscal year 2019. 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 2019. The 70% portion of the variable compensation amount will be calculated on the basis of the following quantitative items, each of which is weighted: revenue, EBITDA, attributable net income, WCR, annual housing unit orders, number of Commitment Committees lots for fiscal year 2019; and 30% of this amount, on the following qualitative elements: management of group teams and Company sentiment quality, return on capital employed, control of operating expenses (including payroll expenses), adaptation of the Company to technological developments and sound risk control.

Moreover, the Board of Directors has made use of the authorization provided by the nineteenth resolution of the Shareholders' Meeting of May 3, 2018 and decided to vest Nordine Hachemi with (i) 15,000 performance shares subject to the same performance conditions as slated for his annual variable compensation as indicated above and (ii) 10,000 performance shares for the renewal of the long term compensation plan implemented in 2018.

Vesting of these shares is subject to the following conditions:

- the shares will only be definitively acquired after a three-year period, i.e., in 2022 and will have to be held for a year;

- long term performance conditions assessed over 2019-2021 (3 fiscal years) including the CSR performance, Goods and Services Quality, the level of employee shareholding in the Company and the TSR.

3.2.1.3. Compensation paid to members of the Executive Committee

Since 2016, group governance comprises the following two 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.

Executive Committee members receive fixed and variable compensation. For the fiscal year ended November 30, 2018, total gross compensation and benefits received by members of the Executive Committee (excluding Kaufman & Broad SA's corporate officers) came to €2,349,084, representing €1,107,084 in fixed salaries and €1,242,000 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 €863,476 in the financial statements for fiscal year 2018. 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, 2018, 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 definitely 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.

For fiscal year 2018, they were vested with 14,800 bonus shares on March 7, 2018. Definitive award of these shares to top management is subject to the same performance conditions as those provided for in the annual variable compensation, i.e.

- achievement of quantitative criteria reflecting short-term performance in indicators such as revenue, EBITDA, attributable net income and WCR, as well as future performance, such as the number of housing units ordered and the number of lots of the Commitment Committees.
- achievement of qualitative criteria linked to their scopes of responsibility.

On January 29, 2019 the Board of Directors noted the achievement of performance conditions applicable to the performance shares. 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 March 7, 2018, i.e., at March 7, 2020.

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 Section 4.1.5. "Notes to the financial statements" in Note 4.4. "Director compensation (related parties)", paragraph "Terms and Conditions of Related-parties" and 9.3.3. "Special report of the Statutory Auditors on regulated agreements and commitments".

3.2.7. Compensation components due or awarded to Nordine Hachemi, Chairman and Chief Executive Officer for the fiscal year ended November 30, 2018, subject to the vote of the shareholders

Pursuant to Article L. 225-100 of the Commercial Code, the Annual General Assembly votes on the fixed, variable and exceptional items making up the total compensation and benefits vested for the prior financial years, in application of the compensation principles and criteria approved by the AGM on May 3, 2018.

The compensation components vested in the Chairman and Chief Executive Officer, as given below, for the fiscal year ended November 30, 2018 will be put to the vote at the AGM on May 2, 2019.

Compensation components	Amounts	Comments
Fixed compensation	€600,000	-
Variable compensation	€793,000	Amount approved by the Board of Directors on January 29, 2019
Multi-year variable compensation	-	-
Directors' fees	None	-
Exceptional compensation	None	-
Stock options or stock warrants or bonus shares	€517,491	
2018 Plan (1 st Plan)	€517,491	15,000 bonus shares ⁽¹⁾
Pay related to entering or leaving office	None	-
Supplemental retirement plan	€25,401.60	Annual contributions capped at 8% of gross salary up to a maximum of eight times the maximum Social Security contribution
Any type of benefits	€32,878	Unemployment insurance

(1) The Board of Directors meeting of March 7, 2018 awarded 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. Final award of these shares to the Chairman and Chief Executive Officer is subject to the same performance conditions as those provided for in the annual variable compensation in cash, i.e.

- the quantitative criteria reflect short-term performance in indicators such as revenue, 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 qualitative criteria, comprising criteria linked to team management, sentiment quality within the Company, control of operating expenses (including the payroll), return on equity capital, adaptation of the Company to technological developments and sound risk control.

On January 29, 2019, the Board of Directors noted the achievement of the performance conditions applicable to the 15,000 performance shares.

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.

"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. 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" 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.

The 236,496 new shares issued under the offer are common stock, fully comparable to the existing shares and have 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. 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 determine the performance conditions and, if applicable, the criteria for the award of the bonus shares, to approve the list(s) of beneficiaries;
- to determine, subject to the given minimal duration, the holding period for the shares, in the knowledge that it will be up to the Board of Directors to decide on the shares which would, if need be, be vested in the corporate officers referred to in Article L. 225-197-1, II al. 4 of the Commercial Code, or to decide that these shares cannot be ceded by the interested parties, prior to ceasing their functions, or to fix the quantity of these shares that they will have to hold until cessation of their functions;

- 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 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.

3.3.3.2.2. 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;
- 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. 3414 of the French Social Security Code;
- 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;
- the authority granted to the Board of Directors is valid for a period of thirty-eight months.

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, subject to the given minimal duration, the holding period for the shares, in the knowledge that it will be up to the Board of Directors to decide on the shares which would, if applicable, be granted to the corporate officers referred to in Article L. 225-197-1, II §. 4 of the Commercial Code, or to decide that these shares cannot be ceded by the interested parties, prior to ceasing their functions, or to fix the quantity of these shares that they will have to hold until cessation of their functions;
- 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.

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 90,788 existing shares on May 11, 2017, of which 11,393 have lapsed, representing 0.42% of the share capital of the Company, and awarded to the corporate officer and employees of the group who are not corporate officers 97,562 existing shares on March 7, 2018, representing 0.45% 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.

3.3.3.2.3. 2018 bonus share plan

The Company's Shareholders' Meeting of May 3, 2018 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;
- 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;
- 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;
- the authority granted to the Board of Directors is valid for a period of thirty-eight months;
- 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, subject to the given minimal duration, the holding period for the shares, in the knowledge that it will be up to the Board of Directors to decide on the shares which would, if need be, be vested in the corporate officers referred to in Article L. 225-197-1, II § 4 of the Commercial Code, or to decide that these shares cannot be ceded by the interested parties, prior to ceasing their functions, or to fix the quantity of these shares that they will have to hold until cessation of their functions;
- 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.

Using this delegation, the Company's Board of Directors awarded, to the corporate officer and employees of the group who are not corporate officers 10,000 existing shares on May 3, 2018 representing 0.05% 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, 2018.

3.3.3.3.2. Bonus share plans

Bonus share awards in 2017

2017 (2nd award – Plan 2016)

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	2 years
End of lock-in period	May 11, 2021
<i>o/w number of shares awarded to corporate officers ⁽²⁾</i>	4,154
<i>o/w number of shares definitively awarded</i>	-
<i>o/w number of shares lapsed ⁽¹⁾</i>	2,530

(1) At the date of this document there were 2,530 shares lapsed as at November 30, 2018.

(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.

Bonus share awards in 2017

2017 (1st granting – 2017 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	2 years
End of lock-in period	May 11, 2021
<i>o/w number of shares awarded to corporate officers ⁽²⁾</i>	15,846
<i>o/w number of shares definitively awarded</i>	-
<i>o/w number of shares lapsed ⁽¹⁾</i>	9,919

(1) At the date of this document there were 9,919 shares lapsed as at November 30, 2018.

(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.

Bonus share awards in 2018

2018 (2nd award – Plan 2017)

Date of the Extraordinary Shareholders' Meeting authorizing the share award plan	May 11, 2017
Number of shares available for award	159,212
Tranche 1 – Date of the Board of Directors' meeting awarding the shares	March 7, 2018
Number of beneficiaries	881
Number of bonus shares awarded on March 7, 2018	97,562
Vesting period, share transfer date	March 7, 2020
Lock-in period	2 years
End of lock-in period	March 7, 2022
<i>o/w number of shares awarded to corporate officers ⁽²⁾</i>	15,846
<i>o/w number of shares definitively awarded</i>	-
<i>o/w number of shares lapsed ⁽¹⁾</i>	5,051

(1) At the date of this document there were 5,051 shares lapsed as at November 30, 2018.

(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 2018.

Bonus share awards in 2018

2018 (1st granting – Plan 2018)

Date of the Extraordinary Shareholders' Meeting authorizing the share award plan	May 3, 2018
Number of shares available for award	250,000
Tranche 1 – Date of the Board of Directors' meeting awarding the shares	May 3, 2018
Number of beneficiaries	1
Number of bonus shares awarded on May 3, 2018	10,000
Vesting period, share transfer date	May 3, 2021
Lock-in period	1 year
End of lock-in period	May 3, 2022
<i>o/w number of shares awarded to corporate officers ⁽²⁾</i>	10,000
<i>o/w number of shares definitively awarded</i>	-
<i>o/w number of shares lapsed ⁽¹⁾</i>	0

(1) At the date of this document, the number was unchanged compared with November 30, 2018.

(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 2018.



ASSETS, FINANCIAL STATEMENT AND RESULTS at November 30, 2018

#04

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4.1. Consolidated Financial Statements at November 30, 2018

4.1.1. Statement of consolidated comprehensive income

Consolidated income statement

<i>(in € thousands)</i>	Notes	November 30, 2018	November 30, 2017
Revenue	3.2	1,558,229	1,390,798
Cost of sales		(1,258,227)	(1,121,666)
GROSS MARGIN	3.2	300,002	269,132
Selling expenses	3.3	(36,433)	(37,655)
Administrative expenses	3.3	(74,541)	(64,340)
Technical and customer service expenses	3.3	(21,487)	(20,582)
Development and program expenses	3.3	(30,357)	(28,599)
OPERATING INCOME		137,185	117,956
Financial expenses		(9,621)	(6,287)
Financial income		914	508
COST OF NET FINANCIAL DEBT	6.3	(8,707)	(5,779)
PRE-TAX PROFIT (LOSS) OF CONSOLIDATED COMPANIES		128,478	112,177
Income tax	9	(39,335)	(28,430)
NET INCOME OF CONSOLIDATED COMPANIES		89,143	83,747
Share of income (loss) of equity affiliates and joint ventures		3,894	1,120
INCOME (LOSS) OF THE CONSOLIDATED GROUP		93,037	84,867
Minority interest income (loss)	7.1.5	20,065	25,749
Attributable net income		72,972	59,118
Average number of shares	7.2	21,215,930	19,938,096
BASIC EARNINGS PER SHARE	7.2	€3.44	€2.97
DILUTED EARNINGS PER SHARE	7.2	€3.44	€2.97

Consolidated comprehensive net income

<i>(in € thousands)</i>	November 30, 2018	November 30, 2017
INCOME (LOSS) OF THE CONSOLIDATED GROUP	93,037	84,867
Change in the gross value of derivative instruments	11	535
Tax impact on derivative instruments	(4)	(213)
TOTAL GAINS AND LOSSES RECOGNIZED DIRECTLY IN SHAREHOLDERS' EQUITY TO BE SUBSEQUENTLY RECLASSIFIED TO PROFIT OR LOSS	7	322
Change in actuarial gains and losses	(345)	583
Tax impact on actuarial gains and losses	119	(201)
TOTAL GAINS AND LOSSES RECOGNIZED DIRECTLY IN SHAREHOLDERS' EQUITY NOT TO BE SUBSEQUENTLY RECLASSIFIED TO PROFIT OR LOSS	(226)	382
CONSOLIDATED COMPREHENSIVE NET INCOME	92,818	85,571
Group share	72,753	59,822
Minority interests	20,065	25,749

4.1.2. Statement of consolidated financial position

Assets

<i>(in € thousands)</i>	Notes	November 30, 2018	November 30, 2017
Goodwill	5.1	68,661	68,661
Other intangible fixed assets	5.2	90,017	89,442
Property, plant and equipment	5.3	8,407	7,699
Equity affiliates and joint ventures	2.1.2	6,185	14,815
Other non-current financial assets	6.1.1	1,826	2,311
Deferred tax assets	9	4,233	4,227
NON-CURRENT ASSETS		179,330	187,155
Inventory/new projects	3.4	42,006	44,241
Inventory/current programs	3.4	354,780	340,641
Accounts receivable	3.5	406,309	340,142
Other receivables	3.5	171,607	191,192
Current tax position	9	565	7,776
Cash and cash equivalents	6.1.3	253,358	221,065
Prepaid expenses	3.5	1,100	1,079
CURRENT ASSETS		1,229,726	1,146,136
TOTAL ASSETS		1,409,056	1,333,291

Equity and liabilities

<i>(in € thousands)</i>	Notes	November 30, 2018	November 30, 2017
Authorized capital		5,685	5,479
Consolidated reserves		270,462	215,008
Other reserves		(13,021)	(14,196)
Treasury shares	7.1.4	(15,653)	(9,022)
ATTRIBUTABLE SHAREHOLDERS' EQUITY		247,473	197,268
Minority interests	7.1.5	14,282	18,174
SHAREHOLDERS' EQUITY		261,755	215,442
Non-current provisions for retirement benefits	4.2	7,072	6,406
Non-current provisions for liabilities and charges	8.1	26,330	18,546
Borrowings and other non-current financial liabilities	6.1.2	199,652	249,615
Deferred taxes	9	42,692	60,105
NON-CURRENT LIABILITIES		275,746	334,672
Current provisions for liabilities and charges	8.1	2,265	1,191
Borrowings and other current financial liabilities	6.1.2	3,705	4,541
Accounts payable	6.1.1	705,958	652,012
Other payables	6.1.1	116,102	125,178
Current tax position	9	43,097	0
Deferred income	6.1.1	428	255
CURRENT LIABILITIES		871,555	783,177
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		1,409,056	1,333,291

4.1.3. Cash flow statement

(in € thousands)	Notes	November 30, 2018	November 30, 2017
Consolidated net income		93,037	84,867
Share of income (loss) of equity affiliates and joint ventures		(3,894)	(1,120)
Estimated income and expenses		26,370	20,067
CASH FLOW AFTER COST OF FINANCIAL DEBT AND TAXES		115,513	103,814
Cost of net financial debt	6.1.3	8,707	5,779
Tax liability (income)	9	39,335	28,429
CASH FLOW BEFORE COST OF FINANCIAL DEBT AND TAXES		163,555	138,022
Tax (paid)/received		(7,330)	(25,816)
Change in Operating Working Capital Requirement	3.6	(11,078)	(5,343)
CASH FLOW FROM OPERATING ACTIVITIES (A)		145,147	106,863
Investment activities			
Acquisitions of tangible and intangible assets (net of disposals)	5	(8,129)	(5,762)
Net change in financial assets		(48)	198
Cash flows with equity affiliates and joint ventures	2.1.2	11,050	(8,168)
Acquisitions of equity interests		422	(27)
Disposals of equity interests			
CASH FLOW FROM INVESTMENT ACTIVITIES (B)		3,295	(13,759)
FREE CASH FLOW ⁽¹⁾		148,442	93,104
Financing activities			
Distributions to minority interests	7.1.5	(23,604)	(23,354)
Buybacks of minority interests	7.1.5	(3,239)	(2,277)
Buybacks of treasury shares, net of re-sales	7.1.4	(6,631)	976
Capital increases	7.1.1		7,357
New loans taken out			150,000
Loan repayments	6.1.3	(50,001)	(101,933)
Distributions to shareholders	7.1.1	(13,901)	(7,532)
Net financial interest paid		(18,772)	(13,385)
CASH FLOW FROM FINANCING ACTIVITIES (C)		(116,148)	9,852
INCREASE (DECREASE) IN CASH (A + B + C)		32,294	102,956
Cash at start of period		221,065	118,108
Cash at end of period		253,358	221,065
INCREASE (DECREASE) IN CASH		32,292	102,956
Cash and cash equivalents	6.1.3	253,358	221,065
Credit facilities		(1,087)	(1,757)
Interest accrued on cash and cash equivalents		1,087	1,757
CASH AT END OF PERIOD		253,358	221,065

(1) Free cash flow is equal to cash flow less net operating investments made during the period.

4.1.4. Statement of change in consolidated shareholders' equity

(in € thousands)	Number of shares	Authorized capital	Consolidated reserves	Other reserves	Treasury shares	Attributable shareholders' equity	Minority interests	Total shareholders' equity
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 shareholders' 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 increases and distributions	947,136	246	(7,780)			(7,534)	(23,348)	(30,882)
Capital reductions	(947,136)	(246)	(29,919)		30,165	0		0
Capital increases	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
Buybacks 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)	(15,896)
NOVEMBER 30, 2017	21,073,535	5,479	215,008	(14,196)	(9,022)	197,268	18,174	215,442
Gains and losses recognized directly in shareholders' equity				(219)		(219)		(219)
Net income at November 30, 2018			72,972			72,972	20,065	93,037
CONSOLIDATED COMPREHENSIVE NET INCOME		0	72,972	(219)	0	72,753	20,065	92,818
Capital increases and distributions			(43,619)			(43,619)	(23,539)	(67,159)
Capital reductions						0		0
Capital increases	790,539	206	29,519			29,725		29,725
Treasury share transactions					(6,631)	(6,631)		(6,631)
Share-based payments				1,395		1,395		1,395
Other transactions			(2,356)			(2,356)	(140)	(2,496)
Buybacks of minority interests			(1,060)			(1,060)	(278)	(1,339)
TOTAL TRANSACTIONS WITH SHAREHOLDERS	790,539	206	(17,517)	1,395	(6,631)	(22,548)	(23,957)	(46,504)
NOVEMBER 30, 2018	21,864,074	5,685	270,462	(13,021)	(15,653)	247,473	14,282	261,755

4.1.5. Notes to the financial statements

Note 1. Accounting principles

The Consolidated Financial Statements at November 30, 2018 reflect the operations of Kaufman & Broad SA and its subsidiaries (the "Kaufman & Broad group" or the "group"), a French company listed on Euronext Paris, Compartment B, with its registered office in Neuilly-sur-Seine (127, avenue Charles-de-Gaulle, 92207 Neuilly-sur-Seine Cedex).

For more than 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 and strong brand name have made Kaufman & Broad one of France's leading property developers and builders.

On February 21, 2019, the Board of Directors approved the annual Consolidated Financial Statements at November 30, 2018 along with 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 annual Consolidated Financial Statements at November 30, 2018 in accordance with the standards

Note 1.1.1. Guidelines applied

Standards, interpretations and amendments with mandatory application to the fiscal year beginning December 1, 2017

No new standards or interpretations whose application is mandatory for the fiscal year beginning December 1, 2017 had any material impact on the Kaufman & Broad group's financial statements.

These standards are as follows:

Standards	Applied to periods beginning on or after
Amendments to IAS 12: "Recognition of deferred tax assets for unrealized losses"	January 1, 2017
Amendments to IAS 7: "Information on changes in liabilities arising from financing activities"	January 1, 2017

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, 2018.

Standards	Applied to periods beginning on or after
IFRS 9 "Financial Instruments: classification, measurement and amendments" ^(a)	January 1, 2018
IFRS 15 "Recognition of revenue: revenue from contracts with customers" ^(a)	January 1, 2018
IFRS 16 "Leases" ^(b)	January 1, 2019

(a) The Kaufman & Broad group will apply these standards to the fiscal year starting on or after December 1, 2018.

(b) The Kaufman & Broad group will apply these standards to the fiscal year starting on or after December 1, 2019.

Application of IFRS 9 is unlikely to have a material impact on the group's financial statements.

The application of IFRS 15 does not undermine the principle of revenue or income recognition on a percentage-of-completion basis for sale-before-completion property development business activities. With the sale-before-completion contract, lawmakers have given

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 (http://ec.europa.eu/internal_market/accounting/ias/index_fr.htm), incorporate the international accounting standards (IAS and IFRS) and the IFRIC's (the International Financial Reporting Interpretations Committee) interpretations.

The accounting methods set out have been consistently applied to all of the periods presented in the Consolidated Financial Statements, except for the new standards and interpretations described below.

Consolidation is based on the financial statements at November 30 for 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 accompanying notes are denominated in euros.

real-estate developers the option of calling for payment from customers in accordance with the percentage completion of programs, based on a payment schedule determined by law, while giving customers a Performance Bond. Given the method for carrying work-in-progress inventory, revenue recognition should be based on the percentage of completion for all the costs that can be carried in inventory (including

land, which is what the group currently does). The group does not expect any material impact on its financial statements.

The application of IFRS 16 should affect the group's operating income, financial income, fixed assets and net debt. Assets mainly consist of premises and equipment used by Kaufman & Broad 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 precisely valued.

These estimates and assumptions are based on past experience, expected changes in the markets in which the group operates or other factors considered to be reasonable given the circumstances. These assessments affect the income and expense figures, and the book values of assets and liabilities.

The estimates and assumptions primarily concern:

- earnings forecasts for real estate programs used for the percentage-of-completion accounting of these programs (Notes 3.2. "Revenue and gross margin" and 3.5 "Accounts receivable 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 fixed assets");
- inventory valuation (Note 3.4. "Inventories").

The sales price and take-up rate assumptions used to forecast earnings from real estate programs, and the calculation of 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 relating 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 published by entities controlled by the parent (subsidiaries), jointly controlled entities (joint ventures), and entities over whose management and financial policies the group has significant influence (equity affiliates).

In accordance with the new IFRS 10 standard, 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 key 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 consolidated shareholders' equity, the share of minority interests in the shareholders' equity of consolidated subsidiaries is presented as a separate line, as is the case 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

Joint ventures are partnerships in which the group and the other parties involved have joint control over the entity, as agreed contractually, and rights over the latter's net assets.

Decisions concerning key business activities are subject to a unanimous vote by Kaufman & Broad and its joint venture partners.

Equity affiliates are entities over which the group exercises significant influence: Kaufman & Broad is entitled to participate in financial and operational policy decisions, without, however, exercising joint control or control. Significant influence is assumed to exist if the group directly or indirectly holds an equity interest equal to or greater than 20%.

Joint ventures and equity affiliates are recognized using the Equity method.

This method consists in retaining in the Consolidated Financial Statements 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 equity-accounted entity 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. advances in current account made by the group in order to finance programs.

Value of securities in equity affiliates and joint ventures

(in € thousands)	November 30, 2017	Distribution	Share of net income for the fiscal year	Impact of changes in scope and similar	November 30, 2018
Equity-accounted investments in equity affiliates	321	(776)	1,701	208	1,454
Equity-accounted investments in joint ventures	(214)		(26.3)		(241)
TOTAL EQUITY-ACCOUNTED INVESTMENTS	107	(776)	1,674.7	208	1,214
Receivables from equity affiliates	14,708			(9,736)	4,972
Receivables from joint ventures	0				0
TOTAL RECEIVABLES FROM EQUITY AFFILIATES AND JOINT VENTURES	14,708	0	0	(9,736)	4,972
EQUITY AFFILIATES AND JOINT VENTURES	14,815	(776)	1,675	(9,528)	6,185

Main components of the balance sheets and income statements of equity affiliates and joint ventures

(in € thousands)	November 30, 2018		November 30, 2017	
	Equity affiliates	Joint ventures	Equity affiliates	Joint ventures
Non-current assets	(3,895)	(282)	(13,450)	(265)
Current assets	50,616	2,486	40,820	2,548
TOTAL ASSETS	46,721	2,204	27,370	2,283
Shareholders' equity	5,507	(482)	1,526	(429)
Non-current liabilities	1,221		1,033	0
Current liabilities	39,993	2,685	24,811	2,712
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	46,721	2,204	27,370	2,283

(in € thousands)	November 30, 2018		November 30, 2017	
	Equity affiliates	Joint ventures	Equity affiliates	Joint ventures
Revenue	45,324		23,221	0
Cost of sales	(35,917)		(18,590)	38
GROSS MARGIN	9,407	0	4,631	38
Other income and expenses	(4,756)	(53)	(2,323)	(5)
Current operating income	4,650	(53)	2,308	34
NET INCOME	4,427	(53)	2,029	34

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 their 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 standard's provisions, the costs associated with business combinations are recognized in expenses for the period during which they were incurred.

Note 2.2. Changes to the scope of consolidation

No significant acquisitions were made during the fiscal year.

Note 3. Operating data

Note 3.1. Segment information

In accordance with the provisions set out in IFRS 8 "Operating segments", the segment information presented corresponds to the internal structure for reporting to the group's Management Committee in order to assess performance. The Management Committee is the chief operating decision-maker under IFRS 8.

Note 3.1.1. Income by operating segment

Fiscal year ended November 30, 2018 (in € thousands)	Île-de-France	West	East	Southwest
Revenue	501,620	146,528	313,563	345,861
GROSS MARGIN	95,931	30,334	55,283	61,705
Selling expenses	(11,216)	(3,055)	(6,952)	(5,544)
Administrative expenses	(10,138)	(5,795)	(9,025)	(9,328)
Technical and customer service expenses	(9,220)	(1,922)	(4,465)	(3,931)
Development and program expenses	(7,667)	(2,534)	(5,448)	(6,732)
Reallocation of share of corporate re invoicing	(14,520)	(5,698)	(10,570)	(11,418)
OPERATING INCOME	43,170	11,330	18,823	24,752
Cost of net financial debt and other financial income/expenses	3,053	524	(451)	75
Reallocation of cost of net financial debt	(1,828)	(718)	(1,331)	(1,438)
PRE-TAX INCOME OF CONSOLIDATED COMPANIES	44,396	11,136	17,041	23,389
Income tax	(13,359)	(3,712)	(4,750)	(6,285)
Share of income (loss) of equity affiliates and joint ventures	2,427	(248)	1,546	(27)
INCOME (LOSS) OF THE CONSOLIDATED GROUP	33,464	7,176	13,837	17,077
Group share	24,838	6,832	8,604	11,493
Minority interests	8,626	344	5,233	5,584

Fiscal year ended November 30, 2018 (in € thousands)	Commercial Property and Logistics	Other Regions	Other business activities	Head Office	Grand Total
Revenue	250,657				1,558,229
GROSS MARGIN	56,478	271			300,002
Selling expenses	(435)		(84)	(9,147)	(36,433)
Administrative expenses	(5,264)	(32)	(583)	(34,376)	(74,541)
Technical and customer service expenses	(502)		(2)	(1,444)	(21,487)
Development and program expenses	(6,364)		(25)	(1,588)	(30,357)
Reallocation of share of corporate re invoicing	(4,134)		(214)	46,555	0
OPERATING INCOME	39,779	239	(908)	(1)	137,185
Cost of net financial debt and other financial income/expenses	(5,529)	(151)	(366)	(5,862)	(8,707)
Reallocation of cost of net financial debt	(521)		(27)	5,862	0
PRE-TAX INCOME OF CONSOLIDATED COMPANIES	33,729	88	(1,301)	0	128,478
Income tax	(11,651)	(30)	451		(39,335)
Share of income (loss) of equity affiliates and joint ventures	215	(1)	(17)		3,894
INCOME (LOSS) OF THE CONSOLIDATED GROUP	22,293	57	(867)	0	93,037
Group share	22,015	57	(867)	0	72,972
Minority interests	278				20,065

The invoiced shares of corporate expenses (including the cost of net financial debt) are reallocated on the basis of each segment's relative share of the group total. This share is assessed based on activity (measured in Equivalent Housing Units – EHU delivered) and the number of employees projected in the budget for the relevant fiscal year.

In addition, income tax is calculated based on theoretical tax for each of the segments according to their pre-tax income. The impact relating to permanent differences in income tax accounting is reallocated according to the same key described above.

Fiscal year ended November 30, 2017*(in € thousands)*

	Île-de-France	West	East	Southwest
Revenue	430,062	165,516	310,268	342,888
GROSS MARGIN	84,155	30,748	59,172	60,038
Selling expenses	(13,191)	(4,213)	(7,227)	(5,938)
Administrative expenses	(8,094)	(6,333)	(8,184)	(8,127)
Technical and customer service expenses	(9,283)	(1,695)	(4,879)	(3,772)
Development and program expenses	(7,577)	(2,287)	(5,299)	(5,947)
Reallocation of share of corporate invoicing	(11,798)	(4,981)	(9,010)	(9,579)
OPERATING INCOME	34,212	11,239	24,573	26,675
Cost of net financial debt and other financial income/expenses	3,158	419	368	1,384
Reallocation of cost of net financial debt	(2,251)	(951)	(1,719)	(1,828)
PRE-TAX INCOME OF CONSOLIDATED COMPANIES	35,119	10,707	23,222	26,231
Income tax	(9,340)	(3,370)	(4,787)	(5,274)
Share of income (loss) of equity affiliates and joint ventures	630	(17)	556	31
INCOME (LOSS) OF THE CONSOLIDATED GROUP	26,409	7,320	18,991	20,988
Group share	19,336	7,070	10,296	11,298
Minority interests	7,073	250	8,695	9,690

Fiscal year ended November 30, 2017*(in € thousands)*

	Commercial Property and Logistics	Other Regions	Other business activities	Head Office	Grand Total
Revenue	142,069	(4)			1,390,798
GROSS MARGIN	34,262	757			269,132
Selling expenses	(736)	(3)		(6,348)	(37,655)
Administrative expenses	(3,825)	36		(29,813)	(64,340)
Technical and customer service expenses	(400)			(554)	(20,582)
Development and program expenses	(6,192)	(77)		(1,220)	(28,599)
Reallocation of share of corporate invoicing	(2,568)			37,935	0
OPERATING INCOME	20,541	713	0	0	117,956
Cost of net financial debt and other financial income/ expenses	(3,738)	(132)		(7,240)	(5,779)
Reallocation of cost of net financial debt	(490)			7,240	0
PRE-TAX INCOME OF CONSOLIDATED COMPANIES	16,313	581	0	0	112,177
Income tax	(5,459)	(201)		0	(28,430)
Share of income (loss) of equity affiliates and joint ventures	(79)	(1)			1,120
INCOME (LOSS) OF THE CONSOLIDATED GROUP	10,775	379	0	0	84,867
Group share	10,733	380	0	0	59,118
Minority interests	42	(1)			25,749

Note 3.1.2. Working Capital Requirement by operating segment**Fiscal year ended November 30, 2018***(in € thousands)*

	Île-de-France	West	East	Southwest
Inventories	165,568	25,140	78,990	123,644
Accounts receivable	152,953	38,536	103,424	82,005
Other	(213,372)	(68,694)	(112,674)	(149,251)
WORKING CAPITAL REQUIREMENT	105,149	(5,019)	69,740	56,398

Fiscal year ended November 30, 2018*(in € thousands)*

	Commercial Property and Logistics	Other Regions	Other business activities	Head Office	Grand Total
Inventories	2,270		5	1,169	396,786
Accounts receivable	25,394	11		3,985	406,309
Other	(95,926)	(1,743)	216	(50,869)	(692,312)
WORKING CAPITAL REQUIREMENT	(68,261)	(1,732)	221	(45,715)	110,783

Fiscal year ended November 30, 2017*(in € thousands)*

	Île-de-France	West	East	Southwest
Inventories	134,533	39,153	97,014	106,287
Accounts receivable	117,442	39,231	82,192	56,357
Other	(186,222)	(80,189)	(114,863)	(103,528)
WORKING CAPITAL REQUIREMENT	65,753	(1,805)	64,343	59,116

Fiscal year ended November 30, 2017*(in € thousands)*

	Commercial Property and Logistics	Other Regions	Other business activities	Head Office	Grand Total
Inventories	6,997	53		844	384,882
Accounts receivable	41,354	14		3,553	340,142
Other	(106,249)	(1,989)		15,643	(577,397)
WORKING CAPITAL REQUIREMENT	(57,898)	(1,922)	0	20,040	147,627

Note 3.2. Revenue and gross margin

The group markets all of its development projects under sale-before-completion (VEFA) rules.

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, based on a payment schedule determined by law, while giving customers a Performance Bond. Total payments from customers 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 during the course of the construction process.

Revenue is recognized in accordance with IAS 18 "Revenue from ordinary activities" and with the methods set out in IAS 11 "Construction

contracts" as regards percentage-of-completion accounting, i.e. in proportion with technical completion, the starting point of which is the acquisition of land, and with commercial completion (execution of the deeds of sale), for each program.

Revenue and margin are recognized as and when works are completed based on project forecasts and in accordance with the following rule: the revenue recognized for a given program are equal to total revenue from the lots for which a deed of sale has been signed, multiplied by the ratio between the amount of land expenses and construction expenses incurred by the group in respect of said program and the total budget for the program's expenditures.

The forecasts used were completely re-examined every quarter and, to the best of the Management's knowledge, they take account of expected changes in sales prices, unit sales and costs.

Below is a breakdown of revenue and gross margin by product:

(in € thousands)	November 30, 2018		November 30, 2017	
	Revenue	Gross margin	Revenue	Gross margin
Multi-occupancy housing	1,220,789	223,234	1,169,114	218,648
Single-family homes	72,962	15,049	44,605	9,156
TOTAL HOUSING	1,293,750	238,283	1,213,719	227,804
COMMERCIAL PROPERTY	254,150	59,223	165,263	39,729
OTHER	10,329	2,496	11,816	1,598
TOTAL REVENUE AND GROSS MARGIN	1,558,229	300,002	1,390,798	269,131

Note 3.3. Operating expenses

(in € thousands)	November 30, 2018				November 30, 2017			
	Salaries and payroll taxes	Advertising expenses	Other operating expenses	Total	Salaries and payroll taxes	Advertising expenses	Other operating expenses	Total
Selling expenses	10,674	20,540	5,219	36,433	11,106	21,381	5,168	37,655
Administrative expenses	28,900		45,640	74,541	26,685		37,655	64,340
Technical and customer service expenses	18,756		2,731	21,487	17,900		2,682	20,582
Development and program expenses	17,109		13,248	30,357	15,251		13,348	28,599
TOTAL OPERATING EXPENSES	75,439	20,540	66,838	162,818	70,942	21,381	58,853	151,176

Selling expenses

Selling expenses amounted to €36.4 million at November 30, 2018, versus €37.7 million in 2017. This 3.3% decrease was mainly due to advertising expenses and “salaries and payroll taxes”.

Administrative expenses

Administrative expenses totaled €74.5 million at November 30, 2018, versus €64.3 million in 2017, i.e. a 15.9% increase, which can be attributed for the most part to an €8.9 million rise in “estimated expenses”, a €2.2 million increase in “salaries and payroll taxes”, a €0.8 million rise in “travel costs” and a €1.7 million decrease in “fees”.

Technical and customer service expenses

Technical and customer service expenses totaled €21.5 million at November 30, 2018, versus €20.6 million in 2017, with the increase coming from a €0.9 million rise in “salaries and payroll taxes”.

Development and program expenses

Development and program expenses totaled €30.4 million at November 30, 2018, versus €28.6 million in 2017, i.e. a 6.1% increase, which can be attributed for the most part to a €1.9 million increase in “salaries and payroll taxes”.

Note 3.4. Inventories

"New projects" are programs that have not yet been developed. These projects are valued at cost and include holding guarantees for the purchase of land, design fees, land development costs, and all other costs incurred in connection with the projects.

On each account closing date, the share of these costs incurred in respect of projects for which commitments to purchase land have not been signed and on which there is little visibility on the likelihood of them being developed in the near future, is expensed.

Inventories for programs under development are valued at cost. This cost includes the land acquisition price and related fees and taxes, the cost of roads and infrastructure, the cost of building and developing show home areas, land expenses, financial expenses and the fees and commissions inherent in the agency agreements executed by Kaufman & Broad in order to sell real estate programs.

IAS 2 provides for the recognition of indirect fixed expenses in inventory, insofar as such expenses are clearly identifiable and can be allocated. These expenses must be added to inventory using systematic and rational methods applied on a consistent and ongoing basis to all costs with similar characteristics.

Indirect fixed expenses (salaries, payroll expenses and other expenses), for the portion directly chargeable to real estate programs and incurred after a commitment to purchase land has been signed, may be included in inventory if they relate 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 booked to cover foreseeable losses, which are valued on the basis of an analysis of the projected economic and financial data specific to each project.

	November 30, 2018			November 30, 2017
(in € thousands)	Gross	Impairment	Net	Net
New projects	54,026	(12,019)	42,006	44,241
Current programs	358,096	(3,316)	354,780	340,641
TOTAL INVENTORIES	412,121	(15,335)	396,786	384,882

The change in impairment charges may be broken down as follows:

(in € thousands)	November 30, 2017	Increases in provisions	Provision reversals	November 30, 2018
New projects	6,744	10,847	(5,572)	12,019
Current programs	4,176	717	(1,577)	3,316
TOTAL INVENTORIES	10,920	11,564	(7,149)	15,335

Inventories net of new program expenses were down €2.2 million.

The provision for new project expenses increased following the decision to impair expenses for projects that had not been officially abandoned but whose development was uncertain. Reversals of provisions for impairment amounting to €4 million were booked for unused reversals of expenses relating to projects whose development was considered to be uncertain but were ultimately launched. The remainder consisted of expenses incurred and expensed for projects that were subsequently abandoned.

Gross inventories for current programs increased by 3.9% over the year.

Provisions for current programs correspond to provisions for purchased but undeveloped land and provisions for losses on completion of programs under development.

Reversals of provisions for impairment recognized mainly correspond to a €0.5 million reduction in provisions for losses on completion as progress was made towards completion, and a €1 million provision reversal relating to an abandoned project.

Note 3.5. Accounts receivable and other receivables

Accounts receivable are receivables arising from the recognition of revenue in accordance with the percentage completion of programs.

Accounts receivable include the following:

- calls for payments not yet made that have been issued to customers at various stages of construction works in accordance with the regulations in force;

- the time lag that may exist between calls for payments and the actual percentage of completion recorded at period-end.

This time lag generates most of these receivables; these receivables are not yet payable.

Accounts receivable are measured at their nominal value, after deducting the impairment charges recognized if the realizable value of the amounts due is less than the book value.

	November 30, 2018			November 30, 2017
(in € thousands)	Gross	Impairment	Net	Net
ACCOUNTS RECEIVABLE	406,910	(600)	406,309	340,142
Government – VAT	133,120	(195)	132,925	128,128
Advances and down-payments	874		874	953
Partners' current accounts	9,714		9,714	8,046
Receivables due from notaries	15,268		15,268	41,424
Other	17,690	(4,864)	12,826	12,641
TOTAL OTHER RECEIVABLES	176,666	(5,059)	171,607	191,192
GOVERNMENT – CURRENT TAXES	565		565	7,776
PREPAID EXPENSES	1,100		1,100	1,079
TOTAL ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES	585,241	(5,659)	579,581	540,189

All the "Accounts receivable" and "Other receivables" mature in less than one year.

The change in impairment charges can be broken down as follows:

(in € thousands)	November 30, 2017	Change in scope of consolidation	Increases in provisions	Used reversals	Unused reversals	November 30, 2018
Accounts receivable	410		285	(69)	(26)	600
Other receivables and VAT	4,537		2,066	(1,187)	(356)	5,059
TOTAL	4,947	0	2,351	(1,256)	(382)	5,659

There were no significant increases in provisions or provision reversals for accounts receivable or other receivables during the period.

Note 3.5.1. Accounts receivable

The difference between net accounts receivable (€406.3 million) and calls for payment outstanding (€63.9 million) net of impairment, i.e. €342.4 million, corresponds to the time lag between contractual calls for payment and program percentage-of-completion revenue recognized. Receivables corresponding to this difference are recorded exclusive of tax.

Notaries drafting deeds of sale are generally required to verify that the financing of a sale is secured by the time the corresponding deed is executed. Provisions for the impairment of accounts receivable are therefore rare.

Receivables outstanding for more than 90 days essentially consist of late payments on calls for payment for lots not yet delivered to buyers. A provision of €0.6 million was booked for receivables for 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.

At November 30, 2018, calls for payment by due date were as follows:

(in € millions)	November 30, 2018		November 30, 2017	
	value	%	value	%
• Not payable	4.3	6.7%	-	0.0%
• Less than 30 days	52.2	81.7%	67.8	90.3%
• 30 to 60 days	4.1	6.4%	4.5	6.0%
• 60 to 90 days	0.5	0.8%	1.0	1.3%
• More than 90 days	2.8	4.4%	1.8	2.4%
TOTAL CALLS FOR PAYMENT	63.9		75.1	

Note 3.5.2. Government – VAT

At November 30, 2018, the “VAT” item included: the VAT deductible for recorded supplier invoices amounting to €36.3 million (€42.9 million in 2017); the VAT recognized on invoices not received relating to expenses recognized on a program percentage-of-completion basis and amounting to €78.4 million (€70.3 million in 2017); and VAT credits amounting to €18.3 million (€15 million in 2017).

Note 3.5.3. Partners’ current accounts

This item reflects the share of losses allocated to minority partners and not settled at November 30, 2018 for fully consolidated operations. A provision for liabilities and charges was recorded amounting to

€7.8 million to cover the non-recoverability risk associated with partners’ current accounts with a debit balance (see Note 8.1. “Provisions”).

Note 3.5.4. Other

The “Others” line includes a loan receivable from a partner amounting to €1.2 million and fully provisioned considering the legal dispute between the group and this partner, the payment of €0.5 million in relation to the Urssaf adjustment (see Note 8.1. “Provisions”), the sums paid in relation to the legal dispute regarding the Roissy Park development (Note 8.2. “Contingent liabilities”) for €1.2 million, the insurance premiums paid in 2018 to be reinvoiced to programs for €0.7 million and a €2.5 million advance on future profits as part of the agreements regarding the acquisition of SMP.

Note 3.6. Breakdown of the change in Working Capital Requirement

(in € thousands)	November 30, 2017	Change in WCR in the CFS	Change in scope of consolidation	Other changes in WCR	November 30, 2018
Inventories	384,882	(54,709)	69,263	(2,650)	396,786
Accounts receivable	340,143	493,606	930	(428,369)	406,310
Accounts payable	(652,012)	19,702	(69,088)	(4,561)	(705,958)
Other operating assets and liabilities	66,840	(447,478)	(395)	437,210	56,177
OPERATING WORKING CAPITAL REQUIREMENT (CASH FLOW STATEMENT)	139,853	11,121	712	1,630	153,316
Current taxes	7,775	(48,000)	(42)	(2,265)	(42,532)
WORKING CAPITAL REQUIREMENT	147,628	(36,879)	669	(635)	110,783

The change in Operating Working Capital Requirement (excluding current taxes) for fiscal year 2018 was €11.1 million compared to November 30, 2017.

Note 3.7. Counterparty risk management

The counterparty risks incurred by the Kaufman & Broad group potentially concern suppliers and subcontractors, accounts receivable and banking counterparties.

Because of the group’s numerous suppliers and subcontractors, an insolvency is unlikely to have any material impact on its operations. The Kaufman & Broad group believes that counterparty risk relating to accounts receivable is very low because of its large number of customers and the fact that sales are signed exclusively in the presence of a notary, generally after financing has been obtained to purchase the property.

Customer-related credit risk is managed by each agency and supervised by the head office. Due to the nature of its business, the group’s exposure to customer default risk is low. The due dates of accounts receivable are reviewed monthly.

The Kaufman & Broad group places its cash, cash equivalents and investment securities with top ranking financial institutions.

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

Kaufman & Broad carries out certain development programs in conjunction with external partners, which inject capital into programs and provide loans. Depending, among other things, on the current economic and financial situation, certain group partners participating in joint development programs may default during the property development phase and may fail to honor their commitments, which would result in the Company having to meet the cash requirements generated by the relevant property programs.

Note 4. Employment compensation and benefits

Note 4.1. Payroll expenses

Payroll expenses incurred in relation to the group's employees break down as follows:

(in € thousands)	November 30, 2018	November 30, 2017
Salaries and payroll taxes	75,439	70,942
Of which wages and salaries ^(a)	52,749	52,642
Of which employer contributions	1,066	1,052
Bonus shares ^(b)	2,130	5,396
Payroll taxes ^(c)	26,369	25,108
TOTAL PAYROLL EXPENSES	79,118	77,750
Average number of employees (full-time equivalents)	883	813

(a) Detailed information on the group's commitments regarding retirement benefits is provided in Note 4.2. "Provisions for retirement benefits".

(b) Detailed information on share-based payments is provided in Note 4.3. "Share-based payments".

(c) The amount of expenses recognized for pension plans was €6.5 million in fiscal year 2018, compared to €6.1 million in fiscal year 2017.

Note 4.2. Provisions for retirement benefits

The group has no commitments other than the retirement benefits for which a provision has been booked 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 benefits corresponding to the projected salary at the end of the employee's career, and to the employee's vested seniority rights on the valuation date. The amount of benefits thus measured is discounted and tested for probability using the mortality table and employee turnover table.

Actuarial adjustments are fully and directly recognized in shareholders' equity over the course of the period in which they arise.

The following assumptions were made to calculate retirement benefits:

- discount rate: 1.50% rate on "AA" corporate bonds (value determined by the iBoxx index);
- average wage increase rate: 3.26%;
- inflation rate: 1.75%;
- retirement age of 62 for all personnel categories;
- average annual staff turnover rate: 7.9%, bearing in mind that a differential rate calculated from 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 employee benefit obligations.

The Company does not hold any assets to hedge retirement benefit 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 breakdown of the retirement benefit expenses recognized for the fiscal year:

(in € thousands)	November 30, 2018	November 30, 2017
Costs of services rendered during the fiscal year ^(a)	236	(12)
Financial cost ^(b)	84	72
EXPENSE RECOGNIZED IN THE INCOME STATEMENT	320	60

(a) The cost of services rendered during the fiscal year was recognized in "salaries and payroll taxes".

(b) The financial cost is recorded in the "cost of net financial debt" item line.

ASSETS, FINANCIAL STATEMENT AND RESULTS AT NOVEMBER 30, 2018

Consolidated Financial Statements at November 30, 2018

Changes to the provision were as follows:

<i>(in € thousands)</i>	November 30, 2018	November 30, 2017
Net liabilities at beginning of period	6,406	6,929
Cost for the fiscal year	409	256
Benefits paid	(89)	(196)
Change in scope of consolidation	-	-
Actuarial gains or losses (recognized in shareholders' equity)	345	(583)
NET LIABILITIES AT END OF PERIOD	7,072	6,406

The actuarial gain (loss) at November 30, 2018 totaled €0.3 million, versus a gain of €0.6 million at November 30, 2017. The change was due for the most part to a higher average wage increase rate.

At November 30, 2018, net liabilities would be €6,902 thousand using a discount rate of 1.75% and €7,246 thousand using 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, 2018	November 30, 2017	November 30, 2016	November 30, 2015
Liabilities	7,072	6,406	6,929	5,612
Financial assets	-	-	-	-
FINANCIAL HEDGING	7,072	6,406	6,929	5,612
Actuarial losses and (gains) generated on liabilities	345	(583)	1,152	(24)

Note 4.3. Share-based payments

Under IFRS 2 "Share-based payments", 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 the rights are allocated. The value of stock options, stock warrants and bonus shares is determined based on the exercise price and term of the option, the current price of the underlying shares, the expected volatility of the share price, the anticipated dividends on the shares, the likelihood of the option being exercised, and the risk-free interest rate for the term of the option. This value is recorded under 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 recorded under shareholders' equity

Note 4.3.1. Bonus share plans

During the year, the Board of Directors decided to introduce two new bonus share plans: one on March 7, 2018, as authorized by the Shareholders' Meeting of May 11, 2017, and the other on May 3, 2018, as authorized by the Shareholders' Meeting on the same day.

The main features of the group's plans in effect at November 30, 2018 are presented in the table below:

Bonus share plan	May 11, 2017	May 11, 2017	March 7, 2018	May 3, 2018
Date authorized by the Extraordinary Shareholders' Meeting	April 15, 2016	May 11, 2017	May 11, 2017	May 3, 2018
Number of bonus shares that may be awarded	400,000	250,000	159,212	250,000
Date of the Board of Directors' meeting awarding the shares	May 11, 2017	May 11, 2017	March 7, 2018	May 3, 2018
Number of beneficiaries	814	814	881	1
Types of shares	Existing	Existing	Existing	Existing
Number of bonus shares awarded	23,801	90,788	97,562	10,000
Lapsed shares	2,530	9,919	5,051	0
Shares outstanding at November 30, 2018	21,271	80,869	92,511	10,000
Share price on the award date	€37.75	€37.75	€42.84	€43.80
Date of vesting	May 11, 2019	May 11, 2019	March 7, 2020	May 3, 2021
Date available	May 11, 2021	May 11, 2021	March 7, 2022	May 3, 2022
Initial fair value of the plan	€576,785	€2,200,123	2,582,905	236,016
Data input into the model:	Binomial model	Binomial model	Binomial model	Binomial model
• exercise price	-	-	-	-
• loss of liquidity of the shares (% of the forward price)	1%	1%	1%	1%
• expected dividends (% of market capitalization)	€2.06 per share	€2.06 per share	€2.10 per share	€2.10 per share
• risk-free interest rate (market rate)	-0.30%	-0.30%	-0.30%	-0.30%
• share lending/borrowing rate	-	-	-	-
• forward price discount rate	Euribor +300 bps	Euribor +300 bps	Euribor +300 bps	Euribor +300 bps
	0% for key executives, 16.1%/year for other employees	0% for key executives, 16.1%/year for other employees	0% for the Chairman, 13.7% for key executives, 17.9%/year for other employees	0% for the Chairman
• turnover rate				

The bonus share plans generated an expense of €2.1 million over the period, as shown below, recognized in income (loss) with a contra entry in shareholders' equity.

(in € thousands)	May 11, 2017 plans	March 7, 2018 plan	May 3, 2018 plan	Total
Initial valuation	2,777	2,583	236	5,596
Expense for the period	1,189	895	45	2,130

Note 4.4. Executive compensation (related parties)

Terms and Conditions of Related-Party Transactions

Setting aside the transactions with Artimus Participations, dealings with related parties, including compensation procedures for executives, remained comparable to fiscal year 2017 and no other unusual type or amount of transaction went ahead during the fiscal year.

Group corporate officers

In 2017 and 2018, the group did not grant any loans to members of its administrative or management bodies.

Compensation of members of the administrative and management bodies

The table below shows the compensation of persons who were, at the closing date or during the last fiscal year, members of the group's administrative and management bodies.

<i>(in € thousands)</i>	November 30, 2018	November 30, 2017 revised	November 30, 2017 reported
Short-term benefits other than employer contributions ^(a)	3,792	3,755	2,326
Short-term benefits: employer contributions	1,752	2,808	1,775
Post-employment benefits – balance sheet impact ^(b)	-	-	-
Other long-term benefits ^(c)	-	NA	NA
Retirement benefits	167	-	-
Directors' fees ^(d)	247	236	236
Share-based compensation	-	-	-
Stock option awards <i>(number)</i>	-	-	-
Bonus share awards <i>(number)</i>	39,200	36,750	36,750

(a) Includes gross salaries, compensation, bonuses, incentives, profit-sharing and in-kind benefits paid for the year.

Compensation relates to members of the Management Committee. The reported 2017 figures were revised to incorporate the Chairman's compensation for 2017 and 2018.

(b) Benefits provided as retirement benefits.

(c) Other compensation vested but due in the long term.

(d) Compensation paid only to non-executive corporate officers.

Defined contribution pensions

The members of the Management Committee, including the corporate officer Nordine Hachemi, receive a supplemental defined contribution pension plan.

For fiscal year 2018, the amount recognized as expenses by our Company for this plan was €140 thousand (€150 thousand at November 30, 2017).

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 purchase price allocation is finalized during the valuation period, i.e. within twelve months of 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 net income.

The main goodwill items of the consolidated companies by Cash Generating Unit (CGU) can be analyzed as follows:

<i>(net value in € thousands)</i>	November 30, 2018	November 30, 2017
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

<i>(in € thousands)</i>	November 30, 2018	November 30, 2017
Balance at beginning of period	68,661	68,661
Increase		
Impairment loss		
BALANCE AT END OF PERIOD	68,661	68,661

Goodwill was subjected to impairment tests in accordance with the principles described in Note 5.4. "Impairment of fixed assets". The tests showed that there was no impairment at November 30, 2018. The recoverable amount used was based on value in use.

Note 5.2. Other intangible fixed assets

Intangible fixed assets mainly consist of the value of the Kaufman & Broad brands and logos. The lifetime of these assets is undetermined and they are therefore not amortized, but they are subject to impairment testing annually or as soon as there is an indication of impairment.

Other intangible fixed assets break down as follows:

	November 30, 2018			November 30, 2017
(in € thousands)	Gross value	Aggregated amortization	Net value	Net value
Kaufman & Broad brand	80,422		80,422	80,422
Other intangible fixed assets	30,830	(20,240)	10,590	9,020
TOTAL INTANGIBLE FIXED ASSETS	111,252	(20,240)	91,012	89,442

The brand is tested for the impairment of overall value together with goodwill (see Note 5.4. "Impairment of fixed assets").

The change in the net value of intangible fixed assets may be analyzed as follows:

(in € thousands)	November 30, 2018	November 30, 2017
Balance at beginning of period	89,442	87,570
Acquisitions of intangible fixed assets	2,273	3,132
Sales, write-offs and change in scope of consolidation	2,244	1,138
Amortization expense	(2,947)	(2,398)
BALANCE AT END OF PERIOD	91,012	89,442

Acquisitions of intangible fixed assets and amortization expenses concern software programs and the website.

Note 5.3. Property, plant and equipment

Property, plant and equipment are recognized at their acquisition cost.

Depreciation expenses are calculated according to the rate at which the expected economic benefits are consumed for each asset based on the acquisition cost less a residual value, where applicable.

As such, the straight-line method is usually applied over the following periods:

- fittings, fixtures and facilities: 10 years;
- construction equipment: 5 years;
- transportation equipment: 5 years;
- office equipment: 5 years;
- office furniture: 10 years;
- IT equipment: 3 years.

Other intangible fixed 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 their useful lifetimes, which usually do not exceed five years.

Research and development costs

For the Kaufman & Broad group, development costs comprise the expenses associated with land (commitments to projects for which a commitment to buy land has been signed) and are treated in inventory as a factor of the cost price if the program is likely to be developed.

The assets available to the Kaufman & Broad group under a financial lease agreement, which primarily consist of IT equipment, are treated as if they had been purchased on credit and are depreciated on a straight-line basis over the period indicated above.

Payments under operating leases are recognized in expenses until the termination of the lease.

Commitments under operating leases (and sub-leases) are recorded in off-balance sheet commitments.

Property, plant and equipment break down as follows:

(in € thousands)	November 30, 2018			November 30, 2017	
	Gross value	Aggregated amortization	Provisions for impairment	Net value	Net value
Land	187			187	187
Buildings	305			305	305
Other property, plant and equipment	23,412	(14,570)	(1,931)	6,912	6,493
Property, plant and equipment in progress	10			10	714
TOTAL NET PROPERTY, PLANT AND EQUIPMENT	23,914	(14,570)	(1,931)	7,414	7,699

Other property, plant and equipment include the office fixtures and furnishings at the head office and various group agencies.

The change in the net value of property, plant and equipment may be analyzed as follows:

(in € thousands)	November 30, 2018	November 30, 2017
Balance at beginning of period	7,699	7,449
Acquisitions of property, plant and equipment	6,211	3,310
Sales, write-offs and change in scope of consolidation	(2,419)	(1,243)
Depreciation (net of reversals)	(2,146)	(1,817)
Provisions for impairment (net of reversals)	(1,931)	
BALANCE AT END OF PERIOD	7,414	7,699

Note 5.4. Impairment of 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 identified 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 fixed assets with an undetermined useful lifetime, impairment tests are carried out at least once a year in order to ensure that the net book value of the goodwill and non-amortizable intangible fixed 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 assets) are subject to impairment if, because of events or circumstances occurring during the relevant period (e.g. obsolescence, physical deterioration, significant changes in the method of use, performance below forecasts, decrease in revenue, other external factors), their recoverable value appears to be permanently lower than their net book value.

Impairment tests are carried out on each asset group (Cash Generating Unit) by comparing their recoverable value against their net book value.

The need to recognize an impairment loss is assessed by comparing the book value of the CGUs' assets and liabilities against their recoverable value. Recoverable value is taken to be the fair value net of exit costs or the value in use, whichever is higher.

Fair value net of exit costs is determined as the best estimate of the sale value net of exit costs for a transaction completed at arm's length between well-informed and willing parties. This estimate is determined on the basis of the market information available, taking specific circumstances into account.

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, 2018 was 7% (unchanged compared to November 30, 2017). 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 incorporates a risk premium.

The group used the projections established at fiscal year-end for the 2019-2023 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 any uncertainty regarding future forecasts. Projected margins 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, 2017).

This rate is below the average revenue growth rate for the five-year forecast period.

Asset recoverability tests are conducted for each CGU. They 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 fixed assets"), is not allocated to the group's CGUs 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 calculation parameters, on the basis of variations deemed by the Executive Management to be reasonably possible: 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, 2017
	November 30, 2018	Less than one year	1 to 5 years	More than 5 years	
Commitments for operating leases	28,460	7,965	15,106	5,389	20,564
Tangible and intangible investment commitments					
TOTAL	28,460	7,965	15,106	5,389	20,564

Operating lease commitments

The table below shows, at November 30, 2018, the minimum future rents on operating leases not subject to termination:

(in € thousands)	November 30, 2018	November 30, 2017
2018		7,904
2019	7,965	8,241
2020	6,585	2,235
2021	4,777	781
2022	2,007	322
2023	1,737	573
2024 and beyond	5,389	508
TOTAL MINIMUM FUTURE RENTS	28,460	20,564

The rent expense recognized in the income statement at November 30, 2018 for operating leases amounted to €6.9 million (€6.8 million at November 30, 2017).

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, and 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 issuance of a financial liability are deducted from this financial liability. These costs are then amortized over the lifetime of the liability using the EIR method.

The portion of financial debt maturing in less than one year is included in current liabilities.

Derivative financial instruments

The Kaufman & Broad group is exposed to market risk, and particularly to interest rate risk. The group uses a number of derivative financial instruments to manage this risk.

Derivatives are marked to market in the balance sheet. Changes in the fair value of derivatives are recognized through contra entries in the income statement, except in cases of hedging as indicated below.

Cash flow hedging instruments

The group only uses future cash flow hedging instruments:

- cash flow hedging consists in covering exposure to changes in cash flow attributable to a specific risk associated with a recognized asset or liability, or with a planned transaction (e.g. interest flows on floating rate debt), where such a risk would affect the reported net income;
- the effective portion of the change in the 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 in profit or loss in financial expenses. The amounts recorded in shareholders' equity are recognized in the income statement in the same way as the assets and liabilities hedged.

Accounts payable and other payables

Because they are short term, 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, 2018				November 30, 2017			
	Fair value through profit or loss	Loans and receivables	Debt at amortized cost	Balance sheet value	Fair value through profit or loss	Loans and receivables	Debt at amortized cost	Balance sheet value
<i>(in € thousands)</i>								
Financial assets								
Other non-current financial assets		1,826		1,826		2,311		2,311
Accounts receivable		406,309		406,309		340,142		340,142
Other current receivables		171,607		171,607		191,192		191,192
Current tax position		565		565		7,776		7,776
Cash and cash equivalents	253,358			253,358	221,065			221,065
TOTAL FINANCIAL ASSETS	253,358	580,307	0	833,665	221,065	541,422	0	762,487
Financial liabilities								
Borrowings and financial debts	113		203,244	203,357	124		254,032	254,156
Accounts payable			705,958	705,958			652,012	652,012
Current tax position			43,097	43,097				
Other current liabilities			116,530	116,530			125,433	125,433
TOTAL FINANCIAL LIABILITIES	113	0	1,068,829	1,068,942	124	0	1,031,477	1,031,601

IFRS 13 requires a hierarchy to prioritize the inputs to valuation techniques used to measure fair value into three levels. These levels are as follows:

- level 1: direct reference to prices quoted (not adjusted) in active markets for identical assets or liabilities that the entity is able to access on the measurement date;

- level 2: inputs other than quoted market prices included in level 1 that are observable for the asset or liability, either directly or indirectly;
- level 3: inputs concerning the asset or liability that are based on unobservable data.

(in € thousands)	November 30, 2018			November 30, 2017		
	Book value	Fair market value	Level	Book value	Fair market value	Level
Assets						
Cash and cash equivalents	253,358	253,358	2	221,065	221,065	2
TOTAL ASSETS	253,358	253,358		221,065	221,065	
Liabilities						
Syndicated credit line	50,000	50,000	3	100,000	100,000	3
Bond issues	150,000	150,000	3	150,000	150,000	3
Credit facilities used	1,087	1,087	3	1,757	1,757	3
Other borrowings and finance leases	2,595	2,595	3	2,785	2,785	3
Issuance expenses	(438)	(438)	3	(510)	(510)	3
Fair value of derivatives	113	113	2	124	124	2
TOTAL LIABILITIES	203,357	203,357		254,156	254,156	

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 instruments 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, 2018, gross financial debt broke down as follows:

(in € thousands)	November 30, 2018			November 30, 2017
	Current	Non-current	Total	
Syndicated credit line ^(a)		50,000	50,000	100,000
Bond ^(b)		150,000	150,000	150,000
Issuance expenses	(54)	(385)	(439)	(510)
Credit facilities used	1,087		1,087	1,757
Other borrowings and finance leases	2,559	37	2,596	2,785
Fair value of derivatives	113		113	124
GROSS FINANCIAL DEBT	3,705	199,652	203,357	254,156

(a) The syndicated credit line arranged in April 2016 is a bullet loan repayable in 2021. This breakdown does not include the repayment made in late January 2019 and described in Note 11 ("Events after the closing date").

(b) The bond issues arranged in May 2017 have the following due dates: the €50 million tranche refundable by a bullet payment in 2024 and the €100 million tranche refundable by a bullet payment in 2025.

At November 30, 2018, the group had used €150 million of bond proceeds and €50 million of the syndicated bank credit line.

Bond

On May 18, 2017, Kaufman & Broad issued its first “Euro PP” bond, of €150 million, as part of a private placement made with institutional investors in Europe. 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 at a fixed annual interest rate of 3.204% payable on May 31 of each year.

This transaction allows the group to diversify its financing sources, benefit from favorable market conditions, and significantly extend the average maturity of its debt.

Adjustment of financial ratios

In the financial half-year periods starting from November 2017 and ending when the bond is redeemed, the group is required to observe two ratios, calculated on a consolidated basis, with levels defined as follows:

Ratios at the end of each six-month period	Threshold at November 30, 2018	Ratio at November 30, 2018
Leverage ratio ⁽¹⁾	≤ 3.0	(0.31)
Debt/equity ratio ⁽²⁾	≤ 2.5	(0.16)

(1) I.e. 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 net income of the consolidated group before income tax, financial 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 expenses (including any increases or decreases in amortization, depreciation and provisions, fair-value adjustments, and income and expenses relating to the non-financial compensation of employees); and capital gains or losses from the sale of assets, less income from minority interests.

(2) I.e. Net financial Debt (a), divided by adjusted shareholders' equity (c);

- (c) adjusted shareholders' equity = consolidated shareholders' equity at November 30, 2016, plus consolidated income aggregated from December 1, 2016 to the end of the relevant quarter, minus the 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.

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 new bond issue, the group made early repayments of Tranche A in full for €50 million and €50 million of Tranche B. At November 30, 2018, the group made an early repayment of another €50 million of Tranche B.

As a result, at November 30, 2018, the group had syndicated loans comprising term loans in the form of a Tranche B (“Tranche B”) of a

remaining principal balance of €50 million maturing in 2021, and a revolving credit facility (the “Revolving Credit Facility”) of a principal amount of €100 million, i.e. a total maximum amount of €150 million.

At November 30, 2018, the Company had not drawn down its revolving credit facility.

Under the terms of the 2016 Senior Facilities Agreement, the Tranche B loan is supposed to be repaid on its maturity date, which is five years after the transaction settlement/delivery 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:

Leverage ratio ⁽¹⁾	RCF ⁽²⁾	Tranche B
> 1.0	Margin of 2.75% per year	Margin of 3.00% per year
≤ 1.0	Margin of 2.50% per year	Margin of 2.75% per year

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

- (a) financial debt means gross financial debt, less cash and cash equivalents and excluding certain subordinated debts and certain off-balance sheet items;
- (b) EBITDA means the net income of the consolidated group before income tax, financial 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 expenses (including any increases or decreases in amortization, depreciation and provisions, fair-value adjustments, and income and expenses relating to the non-financial compensation of employees); and capital gains or losses from the sale of assets, less income from minority interests.

(2) Revolving Credit Facility.

Adjustment of financial ratios

In the financial half-year periods starting from November 2016 and ending when the Senior Facilities Agreement expires in 2021, the group must comply with two ratios, calculated on a consolidated basis, whose levels have been defined as follows:

Ratios at the end of each six-month period	Threshold at November 30, 2018	Ratio at November 30, 2018
Leverage ratio ⁽¹⁾	≤ 3.0	(0.31)
Debt/equity ratio ⁽²⁾	≤ 2.0	(0.16)

(1) *I.e. 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 net income of the consolidated group before income tax, financial 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 expenses (including any increases or decreases in amortization, depreciation and provisions, fair-value adjustments, and income and expenses relating to the non-financial compensation of employees); and capital gains or losses from the sale of assets, less income from minority interests.*

(2) *I.e. Net financial Debt (a), divided by adjusted shareholders' equity (c);*

- (c) *adjusted shareholders' equity = consolidated shareholders' equity at November 30, 2015, plus consolidated income aggregated from December 1, 2015 to the end of the relevant quarter, minus the 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 does not provide for the granting of any collateral to guarantee the amounts owed by the Company as borrower. Kaufman & Broad Homes SAS and Kaufman & Broad Europe SAS have given joint and several guarantees (subject to the usual limitations protecting their corporate interest) in respect of loans taken out 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 if the mandatory public offering resulting from the exceeding of this 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 successful.

Unused syndicated credit lines

(in € thousands)	November 30, 2018	November 30, 2017
Unused RCF ⁽¹⁾	100,000	100,000

(1) *The Revolving Credit Facility (RCF) of up to €100 million with a bullet repayment in April 2021 was arranged in April 2016 in order to refinance the group's general and Working Capital Requirements. This line has not been used since it was arranged.*

Change in gross financial debt

Gross financial debt at November 30, 2017	254,156
Repayment of Tranche B of the 2016 Senior Facilities Agreement	(50,000)
New bond	
Issuance expenses	72
Changes in other borrowings	(190)
Change in the fair value of derivative instruments	(11)
Change in credit facilities	(670)
GROSS FINANCIAL DEBT AT NOVEMBER 30, 2018	203,357

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 of less than three months, readily convertible into a known

amount of cash and not subject to any material risk of a 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 in income.

The Kaufman & Broad group's cash and cash equivalents break down as follows:

(in € thousands)	November 30, 2018	November 30, 2017
Bank balances and cash in hand ^(a)	249,974	218,125
Short-term investments and term deposits ^(b)		0
Order balances ^(c)	3,383	2,940
CASH AND CASH EQUIVALENTS	253,358	221,065

(a) In accordance with the provisions of the Construction and Housing Code, payment of any sum owed by program companies to their 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.

(b) Short-term investments consist of money-market SICAV funds and term deposits.

(c) Order balances represent 5% of deposits paid by clients into a blocked bank account when they sign their order. These amounts are released and therefore available upon execution of the notarized deed of sale.

Net financial debt

Net financial debt consists of gross financial debt, as defined above, less cash and cash equivalents.

The balance sheet items contributing to net financial debt are as follows:

(in € thousands)	November 30, 2018	November 30, 2017
Gross financial debt	203,357	254,156
Cash and cash equivalents	253,358	221,065
NET FINANCIAL DEBT	(50,001)	33,091

Note 6.2. Exposure to market risks and financial instruments**Note 6.2.1. Interest rate risk management**

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 valuation techniques used for measurement are based on directly observable (price) or indirectly observable (derivatives of the price) data (level 2);
- at least one significant component of the fair value is based on unobservable data (level 3).

The fair value of financial instruments traded on active markets is based on the prices quoted on the balance sheet closing date. A market is considered to be active if prices are readily and regularly available from a stock exchange, traders, brokers, a pricing agent or a regulatory agency, and these prices are based on normal transactions. These instruments are classified as level 1.

The fair value of financial instruments not quoted on an active market (such as over-the-counter derivatives) is determined through the use of valuation techniques. These various methods make maximum use of observable market data, if available, and are based only to a limited degree on the group's own estimates. If all the factors required to calculate an instrument's fair value are observable, it is classified as level 2.

If one or more of the main elements of the calculation are not based on observable market data, the instrument is classified as level 3.

The purpose of the interest rate risk management policy is to limit and control fluctuations in interest rates and their impact on income and cash flow, so that the total cost of debt remains acceptable. To achieve this objective, the group hedges its floating rate loan interest flows using interest rate swaps. The latter are derivatives hedging cash flows. These are recognized in the balance sheet at fair value. 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 risk is hedged using instruments traded on organized markets or over the counter, with high-quality counterparties.

The following table is a breakdown of the portfolio of 1-month Euribor lender/fixed-rate borrower swaps at November 30, 2018:

Type	Notional amount (in € millions)	Fixed rate	Maturity		Type	Market value at November 30, 2018 (as % of nominal)	Market value at November 30, 2017 (as % of nominal)
			Start date	End date			
EUR 1M fixed-rate swap	20	0.2975%	May 31, 2017	April 1, 2021	Hedge	-0.57%	-0.62%

The fair value of these derivatives is measured by an external specialized company (level 2 valuation as defined by IFRS 7). The provision for hedging net of deferred tax at November 30, 2018 was -€74 thousand.

The group's net debt exposure at November 30, 2018 was:

Type of instrument	Floating/fixed	Less than one year	1 to 5 years	More than 5 years
Syndicated credit lines ^(a)	Floating		50,000	
Bond	Fixed			150,000
Credit facilities	Floating	1,087		
FINANCIAL LIABILITIES		1,087	50,000	150,000
Bank balances and cash in hand ^(a)	Floating	249,974		
Short-term investments	Floating			
Order balances	Floating	3,383		
FINANCIAL ASSETS		253,358	-	-
NET POSITION BEFORE RISK MANAGEMENT		(252,271)	50,000	150,000
Swaps			(20,000)	
NET POSITION AFTER RISK MANAGEMENT		(252,271)	30,000	150,000

(a) Banks, cash in hand and order balances.

(b) This breakdown does not include the repayment made in late January 2019 and described in Note 11 ("Events after the closing date").

Interest rate sensitivity of financial assets and liabilities

Assumptions: 1-month Euribor at -0.370%.

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 income:

- increase: -€257 thousand;
- decrease: +€51 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 income:

- increase: -€157 thousand;
- decrease: +€31 thousand.

The group's net debt exposure at November 30, 2017 was as follows:

Type of instrument	Floating/fixed	Less than one year	1 to 5 years	More than 5 years
Syndicated credit lines	Floating		100,000	
Bond	Fixed			150,000
Credit facilities	Floating	1,757		
FINANCIAL LIABILITIES		1,757	100,000	150,000
Bank balances and cash in hand ^(a)	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

(a) Banks, cash in hand and order balances.

Note 6.2.2. Equity risk management

The Company's equity risk is limited 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 in accordance with 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 regarding the payment of interest and the repayment of financial debt, excluding derivatives, and derivatives with positive and negative fair values. Floating rate interest payments were calculated based on the last known interest rates prior to November 30, 2018.

	Book value at November 30, 2018											
	Less than one year		1 to 2 years		2 to 3 years		3 to 5 years		5+ years			
(in € thousands)	Interest	Repay-ments	Interest	Repay-ments	Interest	Repay-ments	Interest	Repay-ments	Interest	Repay-ments	Total	Book value at November 30, 2017
Borrowings and financial liabilities												
Syndicated credit lines	1,190		1,190		408	50,000					50,000	100,000
Bond	3,926		3,926		3,937		7,852		4,331	150,000	150,000	150,000
Other borrowings	2,443	3,646	1	37							3,683	4,542
TOTAL	7,559	3,646	5,117	37	4,345	50,000	7,852	0	4,331	150,000	203,683	254,542

Interest flows are settled monthly and take account of swaps.

Note 6.3. Cost of net financial debt

(in € thousands)	November 30, 2018	November 30, 2017
Financial expenses	9,621	6,287
Financial income	(914)	(508)
COST OF NET FINANCIAL DEBT	8,707	5,779

The cost of net financial debt totaled €8.7 million, an increase of €2.9 million compared to 2017.

Financial expenses break down as follows:

(in € thousands)	November 30, 2018	November 30, 2017
Interest expenses on syndicated credit lines and bonds	7,432	6,776
Interest expenses on swaps	63	1,463
Charges for the deferral of arrangement fees for syndicated lines	72	3,162
Capitalization of financial expenses	(10,110)	(10,972)
Expenses on dedicated transactions	9,039	5,740
Fair value on swaps		(1,067)
Other	3,125	1,185
FINANCIAL EXPENSES	9,621	6,287

Interest expenses on the syndicated credit lines and bond are due to the utilization of €250 million of the syndicated credit lines and bond on average in 2018, versus the utilization of €226.7 million of the syndicated credit lines in 2017.

The total effective rate payable on the debt, taking into account the total amortization of issuance expenses incurred and hedging arrangements, was 3.38%, versus 5.43% in 2017.

Cash income breaks down as follows:

<i>(in € thousands)</i>	November 30, 2018	November 30, 2017
Capital gain on sale of money-market SICAVs and certificates of deposit	(182)	(388)
Interest income on equity affiliates	(268)	
Other financial income	(107)	(120)
Interest on arrears	(357)	
FINANCIAL INCOME	(914)	(508)

Note 7. Shareholders' equity and earnings per share

Note 7.1. Shareholders' equity

Note 7.1.1. Change in capital

Payment of the dividend and creation of new shares

The General Meeting of Shareholders of Kaufman & Broad SA, held on May 3, 2018, offered shareholders the option to receive payment of all or part of the dividend in stock for the year ended November 30, 2017.

The issue price of these new shares was set at €37.60, corresponding to 90% of the average price of Kaufman & Broad shares on the Euronext Paris regulated market over the 20 trading sessions preceding the date of said Shareholders' Meeting, less the net dividend of €2.10 per share, rounded up to the nearest euro cent.

The option was open for acceptance from May 9 to May 22, 2018 inclusive. At the end of this period, the shareholders who chose payment of the dividend in stock accounted for 67.3% of Kaufman & Broad SA shares.

Some 790,539 new shares were issued for the purpose of paying the stock dividend, representing 3.75% of the share capital and 3.60% of the voting rights of Kaufman & Broad SA on the basis of the share capital and voting rights at April 30, 2018. Settlement/delivery of the shares and their admission to trading on the Euronext Paris regulated market took place on May 30, 2018.

The total cash dividend to be paid to those shareholders who did not accept the stock dividend option, or who opted for partial payment in shares, amounted to €13.9 million and was paid on May 30, 2018.

<i>(in € thousands)</i>	November 30, 2017	Increase	Decrease	November 30, 2018
Number of shares	21,073,535	790,539		21,864,074
Par value <i>(in €)</i>	0.26	0.26		0.26
TOTAL <i>(in € thousands)</i>	5,479	206	0	5,685

The share capital was affected by the issuing of 790,539 new shares in order to pay the 2017 dividend (see Note 7.1.3. "Dividends").

Note 7.1.2. Consolidated reserves

At November 30, 2018, consolidated reserves included €73.0 million in attributable net income for the fiscal year.

Note 7.1.3. Dividends

See Note 7.1.1. "Change in capital".

Note 7.1.4. Treasury shares

Purchases of treasury shares are recognized against shareholders' equity based on their acquisition cost. The gains and losses on the sale of treasury shares, net of tax, are posted to consolidated reserves.

At November 30, 2018, the group held 478,878 shares, including 33,950 shares under a liquidity agreement. At November 30, 2017, the group held 291,426 treasury shares, including 7,130 shares under a liquidity agreement.

Note 7.1.5. Minority interests

At November 30, 2018, the minority interests on the balance sheet, amounting to €14.3 million, related to 164 companies, including a receivable amount of €1.9 million.

At November 30, 2017, minority interests on the balance sheet, amounting to €18.2 million, concerned 165 companies. The total amount of debtor minority interests amounted to €1.5 million.

In order to take into account the risk associated with recovering the debts of minority interests and outstanding loans to one of its co-development partners, the group recorded a provision of €7.5 million in 2009, including €1.1 million as a provision for the impairment of receivables (see Note 3.5.4. "Other") and €6.4 million as a risk provision covering the outstanding loan amounts relating to this partner. This provision was maintained at November 30, 2018.

For fiscal year 2018, buybacks of shares of holders of minority interest securities of €3.2 million were recorded versus €2.3 million in 2017. The difference between the price paid and the corresponding reduction in minority interests is offset in attributable 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 net income for 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 using the share buyback method. They are calculated based on net income attributable to the group's shareholders, adjusted for the financial costs of the dilutive instruments, net of the corresponding tax effect.

The number of shares used to calculate diluted earnings takes into account the conversion into shares of common stock of the dilutive instruments outstanding at the end of the period.

In order to ensure the comparability of the earnings per share presented, the weighted average numbers of shares outstanding for the fiscal year and for earlier years are adjusted if a capital increase has been carried out below the market price.

Treasury shares deducted from consolidated shareholders' equity are not included in the calculation of earnings per share.

(in € thousands)

	November 30, 2018	November 30, 2017
Attributable net income	72,962	59,118
Average number of shares outstanding	21,215,930	19,938,096
Adjustment for the dilutive effect of share awards		
EARNINGS PER SHARE	€3.44	€2.97
DILUTED EARNINGS PER SHARE	€3.44	€2.97

The instruments issued by the group that could have a dilutive effect in the future consisted of stock warrants (121,874 shares) issued on December 3, 2007 that lapsed on December 3, 2017.

Given their exercise price, these instruments had no impact on the calculation of diluted earnings per share at November 30, 2017 and at November 30, 2018.

Note 7.3. Capital risk management

The group's objectives in terms of capital management are to maintain the group's ability to carry on trading as a going concern and be profitable for its shareholders, and to maintain an optimal capital structure in order to limit the cost of capital.

The group calculates its "Debt/Equity Ratio" as the ratio of net financial debt to total shareholders' equity. Net financial debt at November 30, 2018 totaled -€50.0 million, versus €33.1 million at November 30, 2017. Net financial debt relative to total shareholders' equity was thus equal to -18% versus 15% at November 30, 2017.

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.

This outflow of resources may be discounted where appropriate.

The obligation may be statutory, regulatory or contractual. It may also result from the group's practices or from public commitments that created a legitimate expectation by the third parties concerned that the group would assume certain responsibilities.

The estimated amount included in the provisions is equal to the resource outflow that the group would probably have to bear in order to extinguish its obligation. If a reliable estimate of such an amount cannot 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 is confirmed only by the occurrence of uncertain future events that are not completely under the Company's control, or from current obligations resulting from past events, but that are not recognized either because it is unlikely that an outflow of resources representing economic benefits will be required to extinguish the obligation, or because the amount of the obligation cannot be determined with sufficient reliability. These liabilities are disclosed in Note 8.2. "Contingent Liabilities."

Non-current provisions primarily include the following:

- a provision for risks with respect to certain affiliates;
- provisions for commercial and legal risks;
- provisions for tax risks;
- employee benefits.

Note 8.1. Provisions for liabilities and charges

Provisions may be analyzed as follows:

<i>(in € thousands)</i>	Provisions for risks relating to affiliates	Provisions for tax risk	Provisions for industrial relations risks	Provisions for other risks	Total
November 30, 2017	8,211	3,841	1,950	5,735	19,737
Change in scope of consolidation					0
Increases in provisions	178	312	1,965	10,308	12,763
Used reversals	(527)	(895)	(612)	(519)	(2,553)
Unused reversals	(38)	(488)	(410)	(416)	(1,352)
NOVEMBER 30, 2018	7,824	2,771	2,893	15,107	28,595

Provisions for risks relating to affiliates

This €7.8 million provision covers the risk associated with defaulting affiliates, including €6.4 million for the risk relating to a partner as the result of a dispute (see Note 7.1.5. "Minority interests").

Provisions for tax risk

Following accounting audits in 2015, an adjustment proposal was sent to a subsidiary of Kaufman & Broad group by the tax authorities.

Kaufman & Broad has recognized a €2.6 million provision to cover the full amount of the adjustment. The matter is in litigation.

Provisions for industrial relations risks

The provision for industrial relations risks amounts to €1.7 million and covers disputes with former group employees.

A €1.2 million provision covers the Urssaf adjustments of which the Kaufman & Broad EIG has been informed. A provision was booked for these adjustments, essentially for unpaid contributions for travel allowances, equal to the risk estimated by the Company, bearing in mind that part of the documentation to be provided should enable the adjustment amount to be reduced.

Provisions for other risks

The provision for commercial and legal risks, totaling €13.1 million, essentially covers current disputes with customers or suppliers relating to projects delivered. A €2.0 million provision for head office refurbishment expenses was recognized at November 30, 2018.

Note 8.2. Contingent liabilities

In January 2013, a judgment was rendered in the proceedings brought in 1996 concerning the Roissy Park development, in which a Kaufman & Broad SA subsidiary was accused of faulty workmanship and responsibility for various defects. The judgment, which was immediately appealed, ordered said subsidiary to pay €6.6 million, plus various adjustments for inflation and interest. This sum was mostly guaranteed by the builders and insurers. The subsidiary was ultimately financially liable for €0.9 million, €0.3 million of which was covered by a provision. In order to comply with the judgment, the subsidiary also paid €2.0 million up-front, almost all of which was recovered in the first half of 2014 by calling in guarantees. The unpaid balance was covered by a €0.9 million provision, of which €0.6 million provisioned in fiscal year 2018. The Kaufman & Broad group believes that the risk of a final judgment against it is low.

The long-term lease granted to a Kaufman & Broad subsidiary for a real-estate development operation launched by the group in 2012 is being appealed. Proceedings relating to this appeal were in progress at the balance sheet closing date. The gross margin on unconditional sales relating to this operation was recognized at €10.3 million, which is the same as at November 30, 2017. Since the risk of the long-term lease being canceled is considered to be low, no provision was recognized in the financial statements.

Note 8.3. Guarantees and bonds issued

All the items detailed below relate to the normal course of our operations.

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(in € thousands)	November 30, 2018	November 30, 2017
Performance Bonds ^(a)	356,998	332,139
Hoguet Law guarantees ^(b)	440	220
Holding guarantees ^(c)	10,638	11,236
Other guarantees issued ^(d)	75,617	78,379
GUARANTEES AND BONDS ISSUED – BANKS	443,693	421,974
Land holding guarantees and works guarantees	17,694	20,720
Miscellaneous guarantees and bonds issued ^(e)	29,565	9,563
Guarantee of repayment of the sale-before-completion price	50,784	
GUARANTEES ISSUED – KAUFMAN & BROAD SA	98,043	30,283
TOTAL GUARANTEES AND BONDS ISSUED	541,736	452,257

(a) Performance Bonds are provided to customers under sale-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 arranged on a transaction-by-transaction basis and have a term comparable to the term for completion of the program.

In consideration for these bonds, Kaufman & Broad typically gives the financial institutions or insurance companies a mortgage commitment, a non-assignment of shares undertaking if the program is funded by a special-purpose entity, and a pledge for receivables accruing on the sale price.

Performance Bonds are presented off-balance sheet, with the amount corresponding to the risk incurred by the financial institution that issues these guarantees. For each transaction, this risk is valued as follows: the program's forecast production cost, less the share financed by the group and the amount of sales for which an agreement has been signed at the closing date. This valuation does not, therefore, take into account orders placed at the closing date, or the percentage of construction completion for unsold lots.

Performance Bonds are valued internally each month and the consistency of the data is then confirmed quarterly based on the figures communicated by the financial institutions, according to their own disclosures to the Banque de France or the Insurance Supervision Commission.

(b) Hoguet Law guarantees are required from companies intending to operate as real estate agents. This purely occasional activity is not part of the group's strategy.

(c) Holding guarantees are bank guarantees given in lieu of security deposits in connection with land acquisition commitments.

(d) These other guarantees cover primarily acquisitions of land and matters relating to roads and infrastructure.

(e) These are miscellaneous guarantees and bonds given by Kaufman & Broad SA, primarily a lease guarantee on head office leases.

Note 8.4. Works and other guarantees received

(in € thousands)	November 30, 2018	November 30, 2017
Guarantees on works contracts	131,096	117,006
Buyers' guarantees received	175,123	14,812
TOTAL	306,219	131,818

On purchasing 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, Kaufman & Broad SA stood as guarantor for one of its partners, limited to €4 million excluding tax and to the provision of a first-demand bank guarantee, in keeping with

the commitments made by two of its subsidiaries in said memorandum. In exchange, this partner's main shareholder stood as joint and several guarantor for its subsidiary's commitments with regard to joint ventures, for the same amount and up to the provision of its own first-demand bank guarantee.

Note 9. Income tax

Note 9.1. Income tax

The tax liability is made up of payable and deferred taxes for the group's consolidated companies.

Note 9.1.1. Breakdown of the tax liability

At November 30, 2018, the group's tax liability broke down as follows:

(in € thousands)	November 30, 2018	November 30, 2017
Current tax expense/(income)	55,961	14,180
Provision/expense for tax risk ^(a)	5	729
Deferred taxes	(16,631)	13,521
TOTAL TAX ON NET EARNINGS – EXPENSE/(INCOME)	39,335	28,430

(a) See Note 8.1. "Provisions".

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 2018 was a profit of €156.9 million.

The current tax liability at November 30, 2018 includes a tax liability related to the 2018 tax consolidation of €54.0 million (before deduction of tax credits).

Note 9.1.2. Breakdown of the tax liability

Deferred taxes are calculated on the basis of legal tax rates, i.e. 34.43% for 2018 and the following years.

The reconciliation between the group's theoretical tax expense and the actual tax liability is as follows:

(in € thousands)	November 30, 2018	November 30, 2017
PRE-TAX INCOME OF CONSOLIDATED COMPANIES	128,477	112,177
Applicable tax rate	34.43%	34.43%
THEORETICAL TAX – EXPENSE/(INCOME)	44,209	38,597
Tax on share of profit (loss) of equity affiliates	1,340	386
Impact of shares in fiscally-transparent minority interests	(6,908)	(8,865)
Provision for tax audits ^(a)	5	729
Impact of other permanent differences	689	(2,416)
GROUP TAX EXPENSE/(INCOME)	39,335	28,430

(a) See Note 8.1. "Provisions".

At November 30, 2018, permanent differences mainly included tax savings on the short-term capital loss recognized on shares in subsidiaries, amounting to -€1.3 million, and the €0.8 million expense relating to the limitation on financial expenses.

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 tax on shares held in minority interests as the subsidiaries in question are also fiscally transparent.

Note 9.2. Current and deferred taxes

Deferred taxes are booked on all time-related differences between the book value of assets and liabilities and their fiscal bases, as well as on fiscal deficits, according to the liability method. Deferred tax assets are only booked if it is likely that they can be recovered.

Under IAS 12, deferred tax liabilities must be booked in relation to all the intangible fixed assets recognized when companies (brands, etc.) are consolidated.

Deferred tax assets and liabilities are not discounted.

The group does not book any tax expense regarding the share of income attributed to holders of minority interests in transparent companies, given their tax status.

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The primary sources of deferred taxes were as follows:

- application of the percentage-of-completion method to determine the margin on operations in the statutory financial statements;
- application of the percentage-of-completion method to determine the margin on operations for tax purposes;
- elimination of intra-group services;
- tax deductibility of certain goodwill items;
- timing differences relating to provisions for risks and expenses;
- recognition of tax assets when they are recoverable, either through tax policies or because of income projections.

Note 9.2.1. Breakdown of taxes

Current and deferred tax assets and liabilities are presented as follows:

<i>(in € thousands)</i>	November 30, 2018	November 30, 2017
Current tax position (assets)	565	7,776
Current tax position (liabilities)	(43,097)	0
Deferred tax liabilities	(42,692)	(60,105)
Deferred tax assets	4,233	4,227
BALANCE AT END OF PERIOD	(80,991)	(48,102)

Current tax receivables at November 30, 2018, totaling €0.6 million, primarily correspond to the CICE tax credit for 2018.

Note 9.2.2. Source of deferred taxes by type

<i>(in € thousands)</i>	Deferred tax base at November 30, 2018	Deferred taxes at November 30, 2018
Differences in recognition of real estate programs	117,344	(40,402)
Provisions and expenses with deferred deductibility	(14,897)	5,129
Tax-deductible beneficial ownership	24,301	(8,367)
Hedging swaps	(114)	39
Other	(2,637)	908
BALANCE AT END OF PERIOD – LIABILITIES	123,997	(42,692)
Tax loss carry forwards (excluding tax consolidation)	(12,295)	4,233
BALANCE AT END OF PERIOD – ASSETS	(12,295)	4,233

Most of the deferred taxes relate to differences in how real estate programs are recognized in the fiscal financial statements and the Consolidated Financial Statements (recognition of the margin on completion in the fiscal financial statements and the type of costs included in inventories).

Deferred taxes do not include the capitalization of Concerto's tax losses amounting to €13 million (basis).

Note 10. Fees of the Statutory Auditors

The main fees of the group's Statutory Auditors are as follows:

	Ernst & Young Audit				Deloitte & Associés			
	Amount (tax excl.)		%		Amount (tax excl.)		%	
	2018	2017	2018	2017	2018	2017	2018	2017
<i>(in € thousands)</i>								
Half-yearly limited review and certification of the individual and Consolidated Financial Statements								
Issuer: Kaufman & Broad SA	155	141	25%	27%	145	141	61%	67%
Fully consolidated subsidiaries	413	373	66%	72%	64	62	27%	29%
Services other than certification of financial statements			0%				0%	
Issuer: Kaufman & Broad SA	42	3	7%	1%	25	8	11%	4%
Fully consolidated subsidiaries	16		3%	-	2		1%	-
TOTAL	626	517	100%	100%	236	211	100%	100%

The fees of the other Statutory Auditors relating to the fully consolidated subsidiaries were €2 thousand in 2018 and €41 thousand in 2017.

Note 11. Events after the closing date

On January 31, 2019, Kaufman & Broad signed a syndicated loan agreement for €250 million with an initial maturity of five years. This loan replaces existing Senior Credit Facilities and RCFs corresponding to, respectively, €50 million and €100 million. This corporate credit line will enable the Company to extend its debt maturity and lower its cost of debt, while also allowing it more leeway in how it uses these resources

depending on any needs and opportunities that may arise, over and above its available cash.

In a first for the property development industry, this credit line includes a positive incentive mechanism tied to various CSR indicators, reflecting the Company's commitment to the environment.

Note 12. List of consolidated companies

The Kaufman & Broad group's Consolidated Financial Statements dated November 30, 2018 include the financial statements of 353 companies: 310 fully consolidated companies and 43 equity-accounted companies.

At November 30, 2018, there were no non-consolidated companies that could have a significant impact on the group's Consolidated Financial Statements.

The main companies within the group are as follows:

Company name	Legal structure	Capital	% group control	Consolidation method ^(a)
Kaufman & Broad Financement	SNC	3,040,500	100.00%	FC
Kaufman & Broad Homes	SAS	2,247,403	100.00%	FC
Kaufman & Broad Développement	SAS	152,449	100.00%	FC
Kaufman & Broad Europe	SAS	221,440,548	100.00%	FC
Kaufman & Broad Nantes	SARL	100,000	100.00%	FC
Kaufman & Broad Rénovation	SAS	160,000	100.00%	FC
GIE Kaufman & Broad	EIG	-	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
Résidences 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

(a) FC = fully consolidated, EA = equity accounted.

Company name	Legal structure	Capital	% group control	Consolidation method ^(a)
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
Kaufman & Broad Investissements	SARL	100,000	100.00%	FC
Kaufman & Broad Investissements	SAS	100,000	100.00%	FC
COSY DIEM	SAS	100,000	40.00%	EA
KETB Partenaires	SAS	100,000	100.00%	FC
Kapital Partners Promotion	SAS	10,000	100.00%	FC
Kaufman & Broad Est	SARL	100,000	100.00%	FC
SARL MÉRIGNAC – 94 AVENUE DE SAINT-MÉDARD	SARL	7,622	100.00%	FC
SARL ROISSY HÔTEL AMÉNAGEMENT	SARL	1,000	70.00%	FC
SARL PIERRE ET RANCE	SARL	8,000	100.00%	FC
SARL BORDEAUX – 20-26 RUE DU COMMERCE	SARL	1,000	60.00%	FC

(a) FC = fully consolidated, EA = equity accounted.

Listed below are the main real estate partnerships (SCIs), construction-sale companies (SCCVs) or business partnerships (SNC), which are special purpose vehicles each of which supports a real estate program with revenue, calculated on a percentage-of-completion basis, exceeding €1 million in 2018.

Company name	Legal structure	Capital	% group control	Consolidation method ^(a)
SCI PARIS – 31 AV. MENDÈS FRANCE	SCI	1,000	100.00%	FC
SCI PARIS 17° – 4 RUE MOREL	SCI	1,000	100.00%	FC
SCCV ALFORTVILLE VAILLANT COUTURIER	SCCV	1,000	100.00%	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 RUEIL D'ORVES BROSSOLETTE	SCI	1,000	60.00%	FC
SCI ARCUEIL – 32 ARISTIDE BRIAND	SCI	1,000	100.00%	FC
SCI ROMAINVILLE – 131/-141 RUE DE LA RÉPUBLIQUE	SCCV	1,000	55.00%	FC
SCI CONCERTO GRAND SUD	SCI	1,000	98.60%	FC
SCI CONCERTO ARES	SCI	1,000	98.60%	FC
SCI COURBEVOIE – 17 QUAI PAUL DOUMER	SCI	1,000	100.00%	FC
SCI ROISSY-EN-France – 241 RUE BELLE ÉTOILE	SCI	1,000	70.00%	FC
SCCV POLE HELIOS	SCCV	1,000	100.00%	FC
SCCV VILLEPREUX – RUE DE LA PEPINIERE	SCCV	1,000	66.70%	FC
SCCV THORIGNY SUR MARNE – RUE CORNILLLOT	SCCV	1,000	100.00%	FC
SCI SAINT-PIERRE DU PERRY LES RIVES DU LAC	SCI	1,000	85.00%	FC
SCCV PLAISIR RÉSIDENCE PAUL VERLAINE	SCCV	1,000	50.01%	FC
SCCV CAEN PANORAMIK	SCCV	1,000	60.00%	FC
SCI FRANCONVILLE – CHAUSSÉE JULES CÉSAR	SCI	1,000	55.00%	FC
SCCV MAUREPAS – 28 RUE CLAUDE BERNARD	SCCV	1,000	70.00%	FC
SCI NEUILLY-SUR-MARNE – MAISON BLANCHE KBO	SCI	1,000	51.00%	FC

(a) FC = fully consolidated, EA = equity accounted.

ASSETS, FINANCIAL STATEMENT AND RESULTS AT NOVEMBER 30, 2018

Consolidated Financial Statements at November 30, 2018

Company name	Legal structure	Capital	% group control	Consolidation method ^(a)
SCCV VILLEJUIF – RUE DU 11 NOVEMBRE	SCCV	1,000	51.00%	FC
SCCV LINAS – RUE DE GUILLERVILLE	SCCV	1,000	100.00%	FC
SCCV FORT DE CORMEILLES	SCCV	1,000	51.00%	FC
SCI CONCERTO MER POSÉIDON	SCI	1,000	97.50%	FC
SARL ROISSY HÔTEL AMÉNAGEMENT	SARL	1,000	70.00%	FC
SCCV CHATEAU LEVAT	SCCV	1,000	51.00%	FC
SCI MONTPELLIER – AVENUE VILLENEUVE D'ANGOULÊME "EAST PARK"	SCI	1,000	51.00%	FC
SCI CASTRIES – 14 RUE DU COURS SUPPLÉMENTAIRE	SCI	1,000	80.00%	FC
SCCV ONFROY	SCCV	1,500	100.00%	FC
SCCV SOPPIM BRETAGNE 2	SCCV	1,500	100.00%	FC
SCCV SOPPIM BRETAGNE 3	SCCV	1,500	100.00%	FC
SCCV SOPPIM NORMANDIE 2	SCCV	1,500	100.00%	FC
SCCV SOPPIM NORMANDIE 5	SCCV	1,500	100.00%	FC
SCCV SOPPIM DUNANT	SCCV	1,500	100.00%	FC
SCCV SOPPIM TERE0	SCCV	1,500	100.00%	FC
SCCV SOPPIM HONFLEUR	SCCV	1,500	100.00%	FC
SCI BLAGNAC – 89 ROUTE DE GRENADE	SCI	1,000	65.00%	FC
SCCV TRENTIN 23	SCI	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 CUGNAUX – TROUBADOURS 13	SCCV	1,000	60.00%	FC
SCCV IMPASSE DAGUIN 47	SCCV	1,000	60.00%	FC
SCCV CHEMIN DE MOULIS 45	SCCV	1,000	60.00%	FC
SCCV LE GOFF 85	SCCV	1,000	60.00%	FC
SCCV IMPASSE BARTHE	SCCV	1,000	60.00%	FC
SCI SMOI	SCI	1,000	60.00%	FC
SCI MERIGNAC 109 AVENUE HENRI VIGNEAU – AU FIL DES SAISONS	SCI	1,000	51.00%	FC
SCI ANGLET – 37 AVENUE D'ESPAGNE	SCI	64,000	100.00%	FC
SCI LA ROCHELLE – 2 AVENUE DE FETILLY	SCI	1,000	80.00%	FC
SNC BORDEAUX – 204 COURS DU MÉDOC	SNC	1,000	50.10%	FC
SCI MERIGNAC – 1 RUE DES JACINTES	SCI	1,000	100.00%	FC
SCCV WAMBRECHIES CENTRE RUE DE QUESNOY	SCCV	1,000	100.00%	FC
SCI LA GRANDE ALLÉE	SCI	2,000	51.00%	FC
SCI SCHILLIK	SCI	1,000	51.00%	FC
SCI LAC	SCI	2,000	51.00%	FC
SCI MARSEILLE 12° – 28 BD LOUIS MAZAUDIER	SCI	1,000	85.00%	FC
SCI CARPENTRAS – LES TOURMALINES	SCI	1,000	65.00%	FC
SCI GRANS – 31 RUE DE L'ENCLOS	SCI	1,000	51.00%	FC

(a) FC = fully consolidated, EA = equity accounted.

4.2. Statutory Financial Statements at November 30, 2018

Annual financial statements at November 30, 2018

Income Statement

<i>(in € thousands)</i>	Section	November 30, 2018	November 30, 2017
Revenue	4.2.2.13.	2,843	3,604
Other purchases and external charges	4.2.2.14.	(2,120)	(4,477)
Wages and salaries		-	-
Taxes		(313)	(612)
Amortization, depreciation and provisions	4.2.2.8.	(4,202)	(3,760)
Provision reversals and expense transfers		1,169	13,743
Other operating income and expenses	4.2.2.8.	(416)	(283)
OPERATING INCOME		(3,039)	8,215
Profits allocated and losses incurred	4.2.2.15.	93,982	82,470
Net financial income (including dividends from subsidiaries)	4.2.2.16.	9,361	1,398
CURRENT OPERATING INCOME		100,304	92,083
Non-recurring income (loss)	4.2.2.17.	(728)	(13,423)
Corporate income tax	4.2.3.	(42,405)	(5,545)
NET INCOME (LOSS)		57,171	73,115

Balance Sheet

Assets

<i>(in € thousands)</i>	Section	November 30, 2018	November 30, 2017
Intangible fixed assets	4.2.2.2.	-	-
Property, plant and equipment	4.2.2.3.	120	122
Financial fixed assets	4.2.2.4.	471,597	493,207
NON-CURRENT ASSETS		471,717	493,329
Inventories		-	-
Receivables	4.2.2.5.	116,234	111,604
Treasury shares	4.2.2.6.	15,653	9,022
Cash and cash equivalents		75,142	32,396
Prepaid expenses		72	62
CURRENT ASSETS		207,101	153,084
TOTAL ASSETS		678,818	646,413

Equity and liabilities

<i>(in € thousands)</i>	Section	November 30, 2018	November 30, 2017
Authorized capital		5,685	5,479
Premiums and reserves		347,431	288,417
Net income (loss)		57,171	73,115
SHAREHOLDERS' EQUITY	4.2.2.7.	410,287	367,011
Provisions for liabilities and charges	4.2.2.8.	13,909	10,878
Financial debt	4.2.2.9.	202,394	252,397
Trade payables and related accounts		1,296	2,366
Other payables	4.2.2.10.	50,932	13,760
TOTAL EQUITY AND LIABILITIES		678,818	646,413

4.2.1. General principles

The fiscal year lasts 12 months, from December 1 to November 30.

The annual financial statements are prepared in accordance with current French accounting regulations (the General Chart of Accounts and Commercial Code).

4.2.1.1. Property, plant and equipment and intangible fixed assets

Property, plant and equipment and intangible fixed assets are posted to the balance sheet at acquisition cost. Amortization and depreciation are calculated on a straight-line basis according to the expected life of the asset concerned.

The depreciation periods generally used are as follows:

- software licenses: 3 years;
- fitting, fixtures and facilities: 10 years;
- office furniture: 10 years.

4.2.1.2. Financial fixed assets

The gross value of equity investments in companies booked 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 position 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 programs;
- business plans for future fiscal years.

The sales price and take-up rate assumptions used to forecast earnings from real estate programs, and the calculation of 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 investments correspond to current account advances to group companies.

The net income from fiscally-transparent subsidiaries (construction-sale companies or other business partnerships) with which Kaufman & Broad SA is affiliated becomes immediately and entirely vested in Kaufman & Broad SA at the end of the fiscal year. At year-end, the shares of the fiscal year income of fiscally-transparent companies are posted in the current account.

4.2.1.3. Treasury shares

The treasury 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 in value compared to the average stock market price during the last month of the fiscal year. The treasury shares allocated to a bonus share plan are kept at their book 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

Since fiscal year 2011, most of the group's subsidiaries have opted for the preferred percentage-of-completion method to recognize revenue and margin on real estate programs in their annual financial statements.

Revenue and margin are now recognized pro rata to technical completion, for which the starting point is the purchase of the land, and to 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 determined using the method of recognizing revenue and margin on completion.

The bylaws of these companies, organized in the form of SCIs (real estate partnerships) and SNCs (business 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, 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 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

The Kaufman & Broad group has been reporting consolidated VAT since December 1, 2012. The agreement signed by 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 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

Payment in shares of the dividend for the fiscal year ended November 30, 2017

The General Meeting of Shareholders of Kaufman & Broad SA, held on May 3, 2018, offered shareholders the option to receive payment of all or part of the dividend for the year ended November 30, 2017 in shares.

The issue price of these new shares was set at €37.60, corresponding to 90% of the average price of Kaufman & Broad shares on the Euronext Paris regulated market over the 20 trading sessions preceding the date of said Shareholders' Meeting, less the net dividend of €2.10 per share, rounded up to the nearest euro cent.

The option was open for acceptance from May 9 to May 22, 2018 inclusive. At the end of this period, the shareholders who chose payment of the dividend in stock accounted for 67.3% of Kaufman & Broad SA shares.

Some 790,539 new shares were issued for the purpose of paying the stock dividend, representing 3.75% of the share capital and 3.60% of the voting rights of Kaufman & Broad SA on the basis of the share capital

and voting rights at April 30, 2018. Settlement/delivery of the shares and their admission to trading on the Euronext Paris regulated market took place on May 30, 2018.

The total cash dividend to be paid to those shareholders who did not accept the stock dividend option, or who opted for partial payment in shares, amounted to €13.9 million and was paid on May 30, 2018.

Repayment of €50 million of senior debt

On April 4, 2016, Kaufman & Broad SA had signed a Senior Facilities Agreement with a syndicate of international banks ("2016 Senior Facilities Agreement"). In the first half of 2017, following the new bond issue, the group made early repayments of Tranche A in full for €50 million and €50 million of Tranche B. At November 30, 2018, the group made an early repayment of another €50 million of Tranche B (see Note 4.2.2.16.).

Dividends received

The income or loss from Kaufman & Broad SA's holdings at November 30, 2018 included the dividends paid by three subsidiaries amounting to €16.2 million (see Note 4.2.2.16.).

4.2.2.2. Intangible fixed assets

<i>(in € thousands)</i>	November 30, 2018	November 30, 2017
Software licenses	274	274
Depreciation and amortization	(274)	(274)
NET INTANGIBLE FIXED ASSETS	-	-

4.2.2.3. Property, plant and equipment

<i>(in € thousands)</i>	November 30, 2018	November 30, 2017
Facilities and fittings	184	184
Depreciation and amortization	(64)	(62)
FACILITIES AND FITTINGS	120	122
Office and IT equipment – furnishings	601	601
Depreciation and amortization	(601)	(601)
OFFICE AND IT EQUIPMENT – FURNISHINGS	-	-
NET PROPERTY, PLANT AND EQUIPMENT	120	122

4.2.2.4. Financial fixed assets

<i>(in € thousands)</i>	November 30, 2018	November 30, 2017
Equity interests	326,024	325,963
Receivables related to equity interests and loans ⁽¹⁾	153,091	171,216
Other financial fixed assets ⁽²⁾	260	1,353
Impairment ⁽³⁾	(7,778)	(5,325)
NET NON-CURRENT FINANCIAL ASSETS	471,597	493,207

(1) Receivables relating to equity interests and loans correspond to the group's shares of the non-distributable income of fiscally-transparent companies at year end, totaling €101 million, and to current account advances of €52 million granted to Kaufman & Broad Financement SNC to coordinate and centralize all the cash management needs of Kaufman & Broad group companies (at November 30, 2017, this advance totaled €109 million).

(2) Other investments and loans consist primarily of deposits and guarantees, including the €0.2 million in cash made available by the Rothschild bank pursuant to the share buyback agreement.

(3) At November 30, 2018, the provision for shares in subsidiaries concerned primarily Kaufman & Broad Financement (€4.3 million) and Kaufman & Broad Bretagne (€3 million).

4.2.2.5. Receivables

(in € thousands)	November 30, 2018	November 30, 2017
Value-added tax	19	367
Territorial Economic Contribution	-	79
Corporate income tax	-	7,461
Current accounts ⁽¹⁾	108,782	99,435
Intra-group customers – Invoices to be issued ⁽²⁾	7,432	4,228
Other receivables	1	34
RECEIVABLES	116,234	111,604

(1) This sum comprises: €96.1 million, being the share of income up-streamed from subsidiaries (versus €84.1 million at November 30, 2017); €11 million, being the current accounts for tax consolidation purposes with other group companies (see Note 4.2.3.); and €1.6 million for consolidated VAT current accounts.

(2) This sum corresponds to intra-group re-invoicing relating to the bonus shares awarded to employees of the Kaufman & Broad group.

(in € thousands)	November 30, 2018	In one year at most	In more than one year
Value-added tax	19	19	
Territorial Economic Contribution	-		
Corporate income tax	-		
Current accounts ⁽¹⁾	108,782	65,027	43,755
Intra-group customers – Invoices to be issued	7,432	3,903	3,529
Other receivables	1	1	
RECEIVABLES	116,234	68,950	47,284

(1) The proportion at more than one year corresponds to the share of non-distributable income up-streamed from 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, 2018	November 30, 2017
Treasury shares	15,653	9,022
Provisions for impairment losses on treasury shares	-	-
TREASURY SHARES (VALUE NET OF IMPAIRMENT)	15,653	9,022

At November 30, 2018, the group held 478,878 treasury shares (representing 2.19% of the Company's share capital), of which: 204,651 shares (representing 0.94% of the Company's share capital) intended to cover the bonus share awards of May 2017, March 2018 and May 2018, as well as the balance from the 2017 plan authorized by the Shareholders' Meetings of April 15, 2016, May 11, 2017 and May 3, 2018, amounting to €6.2 million; 240,277 shares (representing 1.10% of the Company's share capital) to ensure that the other objectives of the share buyback program are met (share cancellations by the Company), amounting to €8.1 million; and 33,950 shares held under the liquidity agreement (representing less than 0.16% of the Company's share capital), amounting to €1.4 million.

At November 30, 2017, there were 291,426 treasury shares including:

- 134,919 shares allocated to bonus share plans, amounting to €4.0 million;
- 149,377 shares held for future use as payment or exchange in external growth transactions, amounting to €4.7 million;
- 7,130 shares held under the liquidity agreement, amounting to €0.3 million.

4.2.2.7. Shareholders' equity

The change in shareholders' equity is broken down as follows:

(in € thousands)	Authorized capital	Legal reserve	Stock warrants	Share premium	Other reserves	Retained earnings	Net income	Shareholders' equity
NOVEMBER 30, 2016	5,418	979	781	975	16,867	224,574	74,644	324,238
Capital increases and distributions	246			28,291		38,573	(74,644)	(7,534)
Capital reductions	(246)				(16,867)	(13,051)		(30,164)
Capital increases	61			7,296				7,357
Net income for the fiscal year	–	–	–	–	–		73,115	73,115
NOVEMBER 30, 2017	5,479	979	781	36,562	0	250,095	73,115	367,011
Capital increases and distributions	206			29,519		29,495	(73,115)	(13,895)
Capital reductions								
Capital increases								
Distributions								
Net income for the fiscal year							57,171	57,171
NOVEMBER 30, 2018	5,685	979	781	66,081	0	279,590	57,171	410,287

In addition to the legal reserve, the Company has reserves for an amount at least equal to the value of all the shares it holds.

Change in capital

(in €)	November 30, 2017	Increase	Decrease	November 30, 2018
Number of shares	21,073,535	790,539		21,864,074
Par value	0.26	0.26		0.26
CAPITAL	5,479,119	205,540		5,684,659

At November 30, 2018, Kaufman & Broad's authorized capital amounted to €5,684,659.24, divided into 21,864,074 shares of common stock with a par value of €0.26. The share capital was affected by the issuing of 790,539 new shares in order to pay the 2017 dividend (see Note 4.2.2.1.).

Bonus share plans

During the year, the Board of Directors decided to introduce two new bonus share plans: one on March 7, 2018, as authorized by the Shareholders' Meeting of May 11, 2017, and the other on May 3, 2018, as authorized by the Shareholders' Meeting on the same day.

The main features of the group's plans in effect at November 30, 2018 are presented in the table below:

Bonus share plan	May 11, 2017	May 11, 2017	March 7, 2018	May 3, 2018
Date of authorization by the Extraordinary Shareholders' Meeting	April 15, 2016	May 11, 2017	May 11, 2017	May 3, 2018
Number of bonus shares that may be awarded	400,000	250,000	159,212	250,000
Date of the Board of Directors' meeting awarding the shares	May 11, 2017	May 11, 2017	March 7, 2018	May 3, 2018
Number of beneficiaries	814	814	881	1
Types of shares	Existing	Existing	Existing	Existing
Number of bonus shares awarded	23,801	90,788	97,562	10,000
Lapsed shares	2,530	9,919	5,051	0
Shares outstanding at November 30, 2018	21,271	80,869	92,511	10,000
Share price on the award date	€37.75	€37.75	€42.84	€43.80
Date of vesting	May 11, 2019	May 11, 2019	March 7, 2020	May 3, 2021
Date available	May 11, 2021	May 11, 2021	March 7, 2022	May 3, 2022

Stock warrants

The instruments issued by the group that could have a dilutive effect in the future consisted of stock warrants (121,874 shares) issued on December 3, 2007 that lapsed on December 3, 2017.

4.2.2.8. Provisions for liabilities and charges

(in € thousands)	November 30, 2018	November 30, 2017
Provision for bonus share awards ⁽¹⁾	6,193	3,524
Provision for tax liabilities	205	–
Provision for subsidiary liabilities ⁽²⁾	7,100	6,429
Other provisions for liabilities and charges	411	925
PROVISIONS FOR LIABILITIES AND CHARGES	13,909	10,878

(1) Provision created to cover the capital loss that the Company will incur on delivering bonus shares to employees.

(2) Provision to cover the net negative position of the Kaufman & Broad Normandie subsidiary (€6 million).

(in € thousands)	November 30, 2017	Increase in provisions	Used reversals	Unused reversals	November 30, 2018
Provision for bonus shares awarded	3,524	2,940		271	6,193
Provision for tax liabilities	–	205			205
Provision for subsidiary liabilities	6,429	1,043	372		7,100
Other provisions for liabilities and charges	925	13	527		411
PROVISIONS FOR LIABILITIES AND CHARGES	10,878	4,201	899	271	13,909

4.2.2.9. Financial debt

(in € thousands)	November 30, 2018	November 30, 2017
Syndicated bank credit line	50,000	100,000
Bond	150,000	150,000
Credit facilities used		
Interest accrued on borrowings	2,394	2,397
FINANCIAL DEBT	202,394	252,397

Kaufman & Broad SA has access to a syndicated bank credit line and a bond, the terms and conditions of which are described below.

The main uses of financial debt

(in € thousands)	Debt capacity	Utilization at November 30, 2018	Maturity	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
Syndicated credit line, Tranche B	50,000	50,000	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	300,000	200,000		

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

(2) Revolving Credit Facility.

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

Bond

On May 18, 2017, Kaufman & Broad issued its first “Euro PP” bond, of €150 million, as part of a private placement made with institutional investors in Europe. 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 at 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 gave the group new financial resources to support its growth.

This transaction also allows the group to diversify its financing sources, benefit from favorable market conditions, and significantly extend the average maturity of its debt.

Adjustment of financial ratios

In the financial half-year periods starting from November 2017 and ending when the bond is redeemed, the group is required to observe two ratios, calculated on a consolidated basis, with levels defined as follows:

Ratios at the end of each six-month period	Threshold at November 30, 2018	Ratio at November 30, 2018
Leverage ratio ⁽¹⁾	≤ 3.0	(0.31)
Debt/equity ratio ⁽²⁾	≤ 2.5	(0.16)

(1) I.e. 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 net income of the consolidated group before income tax, financial 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 expenses (including any increases or decreases in amortization, depreciation and provisions, fair-value adjustments, and income and expenses relating to the non-financial compensation of employees); and capital gains or losses from the sale of assets, less income from minority interests.

(2) I.e. Net financial Debt (a), divided by adjusted shareholders' equity (c);

- (c) adjusted shareholders' equity = consolidated shareholders' equity at November 30, 2016, plus consolidated income aggregated from December 1, 2016 to the end of the relevant quarter, minus the 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.

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 new bond issue, the group made early repayments of Tranche A in full for €50 million and €50 million of Tranche B. At November 30, 2018, the group made an early repayment of another €50 million of Tranche B.

As a result, at November 30, 2018, the group had syndicated loans comprising term loans in the form of a Tranche B (“Tranche B”) of a

remaining principal balance of €50 million maturing in 2021, and a revolving credit facility (the “Revolving Credit Facility”) of a principal amount of €100 million, i.e. a total maximum amount of €150 million.

At November 30, 2018, the Company had not drawn down its revolving credit facility.

Under the terms of the 2016 Senior Facilities Agreement, the Tranche B loan is supposed to be repaid on its maturity date, which is five years after the transaction settlement/delivery 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:

Leverage ratio ⁽¹⁾	RCF ⁽²⁾	Tranche B
> 1.0	Margin of 2.75% per year	Margin of 3.00% per year
≤ 1.0	Margin of 2.50% per year	Margin of 2.75% per year

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

- (a) financial debt means gross financial debt, less cash and cash equivalents and excluding certain subordinated debts and certain off-balance sheet items;
- (b) EBITDA means the net income of the consolidated group before income tax, financial 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 expenses (including any increases or decreases in amortization, depreciation and provisions, fair-value adjustments, and income and expenses relating to the non-financial compensation of employees); and capital gains or losses from the sale of assets, less income from minority interests.

(2) Revolving Credit Facility.

Adjustment of financial ratios

In the financial half-year periods starting from November 2016 and ending when the Senior Facilities Agreement expires in 2021, the group must comply with two ratios, calculated on a consolidated basis, whose levels have been defined as follows:

Ratios at the end of each six-month period	Threshold at November 30, 2018	Ratio at November 30, 2018
Leverage ratio ⁽¹⁾	≤ 3.0	(0.31)
Debt/equity ratio ⁽²⁾	≤ 2.5	(0.16)

(1) I.e. 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 net income of the consolidated group before income tax, financial 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 expenses (including any increases or decreases in amortization, depreciation and provisions, fair-value adjustments, and income and expenses relating to the non-financial compensation of employees); and capital gains or losses from the sale of assets, less income from minority interests.

(2) I.e. Net financial Debt (a), divided by adjusted shareholders' equity (c);

- (c) adjusted shareholders' equity = consolidated shareholders' equity at November 30, 2015, plus consolidated income aggregated from December 1, 2015 to the end of the relevant quarter, minus the 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 does not provide for the granting of any collateral to guarantee the amounts owed by the Company as borrower. Kaufman & Broad Homes SAS and Kaufman & Broad Europe SAS have given joint and several guarantees (subject to the usual limitations protecting their corporate interest) in respect of loans taken out 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 if the mandatory public offering resulting from the exceeding of this 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 successful.

Repayment schedule

(in € thousands)	November 30, 2018	Less than one year	1 to 5 years	More than 5 years
Syndicated credit line ⁽¹⁾	50,000		50,000	
Bond	150,000			150,000
Credit facilities used				
Accrued interest	2,394	2,394		
GROSS FINANCIAL DEBT	202,394	2,394	50,000	150,000

(1) This breakdown does not include the repayment made in late January 2019 and described in Note 4.2.5. ("Events after the closing date").

4.2.2.10. Other payables

(in € thousands)	November 30, 2018	November 30, 2017
Value-added tax	5,643	2,179
Corporate income tax	39,872	
Other taxes	86	60
Other miscellaneous receivables	400	300
Current accounts ⁽¹⁾	4,931	11,221
OTHER PAYABLES	50,932	13,760

(1) This amount comprises €3.5 million, corresponding to the current accounts of member companies within the scope of VAT consolidation (compared to €7.8 million at November 30, 2017), and €0.5 million for the cash advances granted by group companies (compared to €2.6 million at November 30, 2017).

(in € thousands)	November 30, 2018	Up to 1 year	1 to 5 years	More than 5 years
Value-added tax	5,643	5,643		
Corporate income tax	39,872	39,872		
Other taxes	86	86		
Other miscellaneous payables	400	400		
Current accounts	4,931	4,464	467	
OTHER PAYABLES	50,932	50,465	467	

4.2.2.11. Amounts due to or owed by equity affiliates

(in € thousands)	November 30, 2018	November 30, 2017
Receivables from equity interests	153,091	171,216
Other receivables	116,233	103,684
Current accounts	(4,931)	(11,221)
RELATED COMPANIES – RECEIVABLES AND PAYABLES	264,393	263,679

4.2.2.12. Accrued expenses and revenues

(in € thousands)	November 30, 2018	November 30, 2017
Borrowings and financial debts	(2,394)	(2,397)
Trade payables and related accounts	(1,180)	(2,352)
Tax and Social Security liabilities		
TOTAL PAYABLES	(3,574)	(4,749)

The amount listed under trade payables and related accounts corresponds primarily to fees not yet invoiced.

(in € thousands)	November 30, 2018	November 30, 2017
Other receivables ⁽¹⁾	7,432	4,228
TOTAL RECEIVABLES	7,432	4,228

(1) These are invoices to be issued relating to bonus share plans for employees of the Kaufman & Broad group.

4.2.2.13. Revenue

(in € thousands)	November 30, 2018	November 30, 2017
Provision of services	2,843	3,604
TOTAL	2,843	3,604

Revenue corresponds, in particular, to the re invoicing of operating costs incurred in 2018 by Kaufman & Broad SA on behalf of group companies or some of its shareholders, namely Artimus Participations,

and to the re invoicing to GIE Kaufman & Broad, an entity employing Kaufman & Broad group employees, of expenses relating to the future delivery of bonus shares awarded during the year.

4.2.2.14. Other purchases and external charges

(in € thousands)	November 30, 2018	November 30, 2017
Legal fees and arrangement costs	(129)	(1,350)
Audit fees	(391)	(267)
Intra-group services	(635)	(681)
Other expenses	(965)	(2,179)
TOTAL	(2,120)	(4,477)

4.2.2.15. Profits allocated and losses incurred

This item records the income from program support companies for a net total of €94 million at November 30, 2018, compared with €82.5 million at November 30, 2017, including the share of losses amounting to -€2 million at November 30, 2018, compared with -€1.5 million at November 30, 2017.

4.2.2.16. Financial income

(in € thousands)	November 30, 2018	November 30, 2017
Dividends received ⁽¹⁾	16,214	8,487
Net change in provisions ⁽²⁾	(2,453)	(3)
Financial income relating to the early repayment of the Senior B and C lines		
Net interest expenses ⁽³⁾	(4,400)	(7,086)
TOTAL	9,361	1,398

(1) Dividends and financial income consist of dividends received from Kaufman & Broad Europe, Kaufman & Broad Homes and SMCI Développement.

(2) In 2018 this amount included:

- an allocation of €2 million for impairment of Kaufman & Broad Financement securities;
- an allocation of €0.4 million for impairment of Kaufman & Broad Bretagne securities;
- an allocation of €0.2 million for impairment of Consortium des Professionnels de l'Immobilier securities;
- a reversal of €0.2 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, 2018	November 30, 2017
Other net non-recurring expenses ⁽¹⁾	(728)	(13,423)
TOTAL	(728)	(13,423)

(1) €0.5 million of the non-recurring loss corresponds to a debt waiver with a recovery clause granted to Urbismart prior to the sale of this minority interest.

4.2.2.18. Off-balance sheet items

Interest rate hedging

Interest rate risk is hedged using instruments traded on organized markets or over the counter with high-quality counterparties.

The following table is a breakdown of the portfolio of 1-month Euribor lender/fixed-rate borrower swaps at November 30, 2018:

Type	Notional amount (in € millions)	Fixed rate	Maturity		Type	Fair value at November 30, 2018 as % of nominal	Fair value at November 30, 2017 as % of nominal
			Start date	End date			
EUR1m fixed-rate swaps	20	0.2975%	May 31, 2017	April 1, 2021	Hedge	-0.57%	-0.62%

Off-balance sheet commitments received

Unused syndicated credit lines

(in € thousands)	November 30, 2018	November 30, 2017
Unused RCF ⁽¹⁾	100,000	100,000

(1) As part of the debt refinancing that took place in April 2016 (see Note 4.2.2.9.), a new Revolving Credit Facility (RCF) for a maximum amount of €100 million with bullet repayment in April 2021 was arranged to finance the group's general and Working Capital Requirements. This facility has not been used since it was arranged.

Pledges and liens

Under a memorandum of understanding, Kaufman & Broad SA stood as guarantor for one of its partners, limited to €4 million excluding tax and to the provision of a first-demand bank guarantee, in keeping with the commitments made by two of its subsidiaries in said memorandum.

In exchange, this partner's main shareholder stood as joint and several guarantor for its subsidiary's commitments with regard to joint ventures, for the same amount and up to the provision of its own first-demand bank guarantee.

Off-balance sheet commitments given

Guarantees and bonds issued

(in € thousands)	November 30, 2018	November 30, 2017
Land holding guarantees and works guarantees	17,694	20,720
Counter-guarantees granted ⁽¹⁾	29,565	9,563
Guarantee of repayment of the sale-before-completion price	50,784	-
TOTAL	98,043	30,283

(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 memorandum of understanding with a partner.

Performance Bonds are provided to customers under sale-before-completion contracts executed 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 arranged on a transaction-by-transaction basis and have a term comparable to the term for completion of the program.

In consideration for these bonds, Kaufman & Broad typically gives the financial institutions or insurance companies a mortgage commitment, a non-assignment of shares undertaking with regard to the companies running these programs, and a pledge for 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 fiscal year 2019.

(in € millions)	Pre-tax accounting income (loss)	Tax adjustments ⁽¹⁾	Income for tax purposes	Tax loss carry forward to be charged	Taxable income	Kaufman & Broad SA theoretical tax	Effect of tax consolidation income/ (expense)	Recognized tax income/ (expense)	Net income
Current	100,304	38,387	138,691	–	138,691	(47,727)	5,255	(42,472)	57,832
Non-current	(728)	527	(201)	–	(201)	67	–	67	(661)
TOTAL	99,576	38,914	138,490	–	138,490	(47,660)	5,255	(42,405)	57,171

(1) The tax adjustments mainly include the deduction of dividends received from subsidiaries and the 2018 adjustment to revenues and income on a percentage-of-completion basis recorded in accounting income or loss but offset for the calculation of taxable income at completion.

Due to the different methods used to recognize profit on programs, either on a percentage-of-completion basis (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 fiscal financial statements and Consolidated Financial Statements based on percentage of completion amount to a taxable base of €117.3 million, corresponding to unrealized tax of €40.4 million at November 30, 2018.

4.2.4. Related party transactions

Under the license agreement signed with Kaufman & Broad Europe SAS, Kaufman & Broad SA benefits from a free license to use Kaufman & Broad's trademarks, logos and domain names in France. All other transactions with related parties are carried out under market 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 procedures for executives, remained comparable to fiscal year 2017 and no unusual type or amount of transaction occurred during the fiscal year.

4.2.5. Post-closing events

On January 31, 2019, Kaufman & Broad signed a syndicated loan agreement for €250 million with an initial maturity of five years. This loan replaces existing Senior Credit Facilities and RCFs corresponding to, respectively, €50 million and €100 million. This *corporate* credit line will enable the Company to extend its debt maturity and lower its cost of debt, while also allowing it more leeway in how it uses these resources

depending on any needs and opportunities that may arise, over and above its available cash.

In a first for the property development industry, this credit line includes a positive incentive mechanism tied to various CSR indicators, reflecting the Company's commitment to the environment.

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 2018 amounted to €1,672,478, of which €246,600 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	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 share capital held by the Company)				
Kaufman & Broad Europe SAS	221,440,548	4,664,359	99.90%	217,436,878
Kaufman & Broad Homes SAS	2,247,403	6,579,473	100.00%	10,450,195
Kaufman & Broad Développement SAS	152,449	1,167,008	100.00%	152,449
SMCI Développement SAS	762,245	167,277	100.00%	762,245
Kaufman & Broad Rénovation SAS	160,000	(83,883)	100.00%	152,297
Kaufman & Broad Financement SNC	3,040,500	1,032,750	99.90%	4,307,708
Kaufman & Broad Real Estate SAS	205,280	3,241,940	100.00%	30,191,792
Kaufman & Broad Méditerranée SARL	100,000	(18,730,718)	100.00%	100,000
Kaufman & Broad Normandie SARL	100,000	(6,156,302)	100.00%	100,000
Kaufman & Broad Savoie SARL	100,000	(4,488,749)	100.00%	100,000
Kaufman & Broad Rhône-Alpes SARL	1,300,000	(15,773,132)	100.00%	1,300,000
Kaufman & Broad Pyrénées-Atlantiques SARL	100,000	(7,664,826)	100.00%	100,000
Residences Bernard Teillaud SARL	840,000	14,900,896	100.00%	15,663,729
Kaufman & Broad Midi-Pyrénées SARL	2,858,910	2,014,572	100.00%	36,404,834
SARL Kaufman & Broad Languedoc-Roussillon	100,000	(5,472,924)	99.00%	99,000
SARL Kaufman & Broad Gironde	100,000	(3,967,549)	99.00%	1,387,900
Kaufman & Broad Bretagne	1,000,000	1,364,107	100.00%	4,964,530
Kaufman & Broad Flandres	7,700	(235,810)	99.90%	449,360
Kaufman & Broad Innovation et Technologies	1,000	(677,025)	100.00%	1,000
Kaufman & Broad Grands Projets	1,000,000	(2,106,000)	100.00%	1,000,000
Kaufman & Broad Marketing et Ventes	1,000	(6,491)	100.00%	1,000
Kaufman & Broad Poitou Charentes	100,000	(1,286,082)	100.00%	100,000
Kaufman & Broad Pyrénées-Orientales	100,000	(99,195)	100.00%	100,000
Kaufman & Broad Bourgogne France Comté	100,000	119,195	100.00%	100,000
Kaufman & Broad Investissements	100,000	-	100.00%	100,000
Kaufman & Broad Est	100,000	566	100.00%	100,000
Kaufman & Broad Champagne	100,000	-	100.00%	100,000

2. Equity affiliates (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 share 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)	-	-	-	28,035

2. EQUITY INTERESTS IN FRENCH COMPANIES NOT INCLUDED IN SECTION A (AGGREGATE)

- - - **261,901**

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 accounting income (loss)	Dividends received by the Company during the fiscal year
217,436,878	-	-	11,922,614	9,025,162	6,614,338
10,450,195	-	-	48,033,136	7,434,832	6,300,000
152,449	-	-	17,697,658	2,333,785	-
762,245	-	-	414,267	565,596	3,300,000
76,117	-	-	391,778	134,522	-
-	-	-	323,428	(5,116,459)	-
30,191,792	-	-	19,212,821	5,053,961	-
100,000	-	-	4,723,811	(5,510,185)	-
-	-	-	-	(171,762)	-
100,000	-	-	7,778,489	2,074,676	-
1,300,000	-	-	7,207,407	(1,929,192)	-
100,000	-	-	4,002,413	194,784	-
15,663,729	-	-	707,638	613,882	-
36,404,834	-	-	8,859,593	(1,894,421)	-
99,000	-	-	8,523,659	854,260	-
1,387,900	-	-	7,086,351	(2,179,677)	-
1,947,559	-	-	2,950,168	(413,179)	-
449,360	-	-	2,044,014	(1,620,490)	-
1,000	-	-	-	(520,289)	-
1,000,000	-	-	(34,886)	(1,232,676)	-
1,000	-	-	-	(6,493)	-
100,000	-	-	-	(428,481)	-
100,000	-	-	936,673	(484,896)	-
100,000	-	-	1,477,108	418,234	-
100,000	-	-	-	(6,166)	-
100,000	-	-	-	(243,522)	-
100,000	-	-	524	(20,082)	-
990	-	-	126,785,089	10,530,278	-
990	-	-	-	(32,344)	-
990	-	-	277,572,255	21,043,744	-
990	-	-	144,197,474	14,663,210	-
990	-	-	76,787,342	5,671,864	-
990	-	-	95,336,128	3,527,887	-
990	-	-	24,148,097	117,153	-
990	-	-	163,146,088	9,384,140	-
990	-	-	-	30,117	-
14,047	-	-	-	-	-
1,340	-	-	-	-	-

4.4. Five-year financial summary

Type of information	2018	2017	2016	2015	2014
1. Financial position at year-end					
a) Authorized capital	5,684,659	5,479,119	5,417,630	5,612,011	5,612,011
b) Number of shares issued	21,864,074	21,073,535	20,837,039	21,584,658	21,584,658
c) Number of convertible bonds				-	-
2. Total income from operating activities					
a) Revenue excluding VAT	2,842,553	3,604,354	12,021,144	1,809,564	3,411,525
b) Earnings before taxes, amortization, depreciation and provisions	105,062,412	68,679,187	100,183,918	116,783,465	47,984,896
c) Tax on profits	42,405,115	5,545,300	15,594,010	16,906,321	24,871,390
d) Earnings after taxes, amortization, depreciation and provisions	57,170,733	73,114,615	74,644,419	94,911,060	32,510,444
e) Amount of profits distributed ⁽¹⁾	54,660,185	43,619,335	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	2.87	3.00	4.81	5.18	2.22
b) Earnings after taxes, amortization, depreciation and provisions	2.61	3.47	3.58	4.40	1.51
c) Dividend per share ⁽¹⁾	2.50	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 2017 figures include the amount of €29,724,266 paid via the issue of 790,539 new shares. The 2018 figures are in keeping with the profit/(loss) allocation plan to be submitted at the next Shareholders' Meeting.



INFORMATION about the group's business activities

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5.1. General information concerning the Company

5.1.1. Company name and registered office

Company name: Kaufman & Broad SA
 Registered office: 127, avenue Charles-de-Gaulle
 92207 Neuilly-sur-Seine Cedex
 Telephone: + 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, detached houses, 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, create new businesses, merge companies, or represent 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. Document consultation

All the legal documents relating to the Company that must be made available to shareholders by law, as well as all published documents of the Kaufman & Broad group referred to in this Registration Document,

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, at least five percent (5%) of net income is appropriated to the legal reserve up to a limit of one tenth of the Company's share 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.

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 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, pursuant 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, three tenths, one third, one 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, 2018 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

On November 30, 2018, the Company's authorized capital was composed of 21,864,074 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 winding-up bonus.

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 3, 2018 in its sixteenth resolution for a period of eighteen months. The authority was granted to the Board of Directors during this Shareholders' Meeting by the seventeenth 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 3, 2018

The Shareholders' Meeting of May 3, 2018, 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 with 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 €55 per share, i.e., a total maximum price of €115,904,415

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 option 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 seventeenth extraordinary resolution of the Shareholders' Meeting of May 3, 2018.

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 at 10% of share capital, adjusted for transactions made after the meeting of May 3, 2018, that may affect the capital, it being specified that: (i) under this authority, the number of treasury shares must be taken into consideration so that the Company remains consistently within the limit of the number of treasury shares owned, equal to a maximum of 10% of the authorized capital; and (ii) 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 €55 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 May 11, 2017.

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 €115,904,415 million.

This authority was granted for a period of 26 months from the date of the meeting and supersedes, for the unused portion, the authority previously granted by the seventeenth resolution of the Shareholders' Meeting of April 15, 2016.

Liquidity agreement

On September 1, 2016, Kaufman & Broad entrusted 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 AMF by a decision of March 22, 2005 and published in French legal gazette 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 3, 2018"). From May 11, 2017 until October 19, 2018, Kepler Chevreux performed the aforementioned task of buying and selling its Kaufman & Broad SA shares on the Euronext Paris market to ensure liquidity and consistent pricing. Since October 22, 2018, and for a period of one year to be renewed automatically, Kaufman & Broad has entrusted financial institution Rothschild Martin Maurel with implementing its Liquidity Agreement, in accordance with current laws and regulations. To this end, the following resources were allocated to the liquidity account: €283,138.17 and 32,765 Kaufman & Broad SA shares.

At December 30, 2018, the following resources were reported in the liquidity account: 34,350 shares and €283,138.17 not invested in shares.

5.2.3.2. Summary of share purchases and sales

Implementation of the Liquidity Agreement resulted in the following transaction volumes and prices during the 2018 fiscal year:

Number of shares purchased:	189,163 shares
Average purchase price:	€41.76
Number of shares sold:	162,343 shares
Average selling price:	€41.82
Total trading cost:	€40,000

At November 30, 2018, the group held 478,878 treasury shares (representing 2.19% of the Company's share capital), of which 204,651 shares (representing 0.94% of the Company's share capital) intended to cover the bonus share awards of May 2017, March 2018 and May 2018, as well as the balance from the 2017 plan authorized by the Shareholders' Meetings of April 15, 2016, May 11, 2017 and May 3, 2018, as well as 240,277 shares (representing 1.10% of the Company's share capital) to ensure the achievement of the other objectives of the share buyback program (cancellations of shares by the Company), and 33,950 shares held in respect of the Liquidity Agreement (representing 0.16% of the Company's share capital).

On October 10, 2018, Kaufman & Broad tasked Rothschild Martin Maurel with helping it ensure it has the means to fulfill some of the objectives of its share buyback program, as authorized by the Shareholders' Meeting of May 3, 2018. In respect of the implementation of the share buyback program, the Company gave Rothschild Martin an irrevocable mandate as an independent financial services provider to buy back the Company's own shares up to a limit of €8,000,000 (eight million euros) between October 11, 2018 and February 15, 2019. Under that mandate, the buyback price could not exceed the maximum buyback price set by the Combined Shareholders' Meeting of May 3, 2018. On December 18, 2018, Kaufman & Broad decided to raise that ceiling from €8,000,000 to €10,000,000. On February 8, 2019 the mandate was extended until July 20, 2019. At November 30, 2018, the Company had acquired 160,632 of its own shares in this way (accounting for 0.73% of the Company's share capital).

5.2.3.3. Summary of bonus share awards

Pursuant to the authorizations of its Shareholders' Meetings in April 2009, April 2012, April 2014, April 2015, April 2016, May 11, 2017, and May 3, 2018, Kaufman & Broad SA decided to introduce bonus share plans for certain executives of Kaufman & Broad SA and its affiliates, notably to give them the opportunity to share in the Company's growth.

Title to the shares allocated under the various share allocation schemes detailed below is to be transferred at the end of the vesting period, i.e., after a period of two years from the date on which the shares were granted by the Board of Directors for the plans dated May 11, 2017, March 7, 2018 and May 3, 2018.

In addition, the beneficiaries of these plans may not transfer title to the shares that have effectively 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, 2018 are presented in the table below:

Bonus shares	May 11, 2017	May 11, 2017	March 7, 2018	May 3, 2018
Date of authorization by the Extraordinary Shareholders' Meeting	Apr. 15, 2017	May 11, 2017	May 11, 2017	May 3, 2018
Number of bonus shares that may be awarded	400,000	250,000	159,212	250,000
Date of the Board of Directors' meeting awarding the shares	May 11, 2017	May 11, 2017	March 7, 2018	May 3, 2018
Total number of shares awarded	23,801	90,788	97,562	10,000
Number of beneficiaries	814	814	881	1
Date of transfer of ownership of bonus shares	May 11, 2019	May 11, 2019	March 7, 2020	May 3, 2021
Date of sale of bonus shares	May 11, 2021	May 11, 2021	March 7, 2022	May 3, 2022
Lapsed shares	2,530	9,919	5,051	-
Shares outstanding at November 30, 2018	21,271	80,869	92,511	10,000

5.2.3.4. Special reports on the stock options, stock warrants, and bonus shares presented to the Shareholders' Meeting of May 2, 2019

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, 2018 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				
from the 1 st 2018 Plan ⁽¹⁾	15,000	42.84	March 7, 2018	Kaufman & Broad SA
from the 2 nd 2018 Plan ⁽²⁾	10,000	43.80	May 2, 2018	Kaufman & Broad SA

(1) The Board of Directors meeting of March 7, 2018 granted 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. Final award of these shares to the Chairman and Chief Executive Officer is subject to the same performance conditions as those provided for in his annual variable compensation in cash, namely:

- fulfillment of the quantitative criteria reflecting short-term performance 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 established by the Commitment Committees;
- fulfillment of qualitative criteria reflecting team management, the quality of the working atmosphere in the Company, control over operating expenses (including headcount), return on capital employed, adapting the Company to advances in technology, and efficient risk management.

At its meeting of January 29, 2019, the Board of Directors confirmed that the performance conditions for granting the 15,000 performance shares had been met.

(2) At its meeting of May 3, 2018, the Board of Directors introduced a long-term compensation scheme for the Chairman and Chief Executive Officer based on the award of 10,000 performance shares to the latter, with a vesting period of three years and a lock-in period of one year. In addition, the Board decided that these shares were to be subject to long-term performance conditions assessed over the period 2018-2020 (CSR performance – customer satisfaction – level of employee shareholding – total shareholder return).

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.

INFORMATION ABOUT THE GROUP'S BUSINESS ACTIVITIES

General information concerning the capital

5.2.3.4.4. Bonus shares awarded, during the fiscal year ended November 30, 2018, by the Company or 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 are 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 ⁽¹⁾	23,200	42.84	March 7, 2018	Kaufman & Broad SA

(1) 23,200 under the 1st 2018 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).

5.2.3.4.5. Bonus shares awarded, during the fiscal year ended November 30, 2018 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	15,000
Member of the Management Committee	13	21,500
Directors of profit centers or of a support department	26	13,400
Department heads	123	20,770
Other employees	718	26,892
TOTAL ⁽²⁾	881	97,562

(1) At its meeting of March 7, 2018, the Board of Directors granted 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. Final award of these shares to the Chairman and Chief Executive Officer is subject to the same performance conditions as those provided for in his annual variable compensation in cash, namely:

- fulfillment of the quantitative criteria reflecting short-term performance indicators such as revenue, 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 established by the Commitment Committees;
- fulfillment of qualitative criteria reflecting team management, the quality of the working atmosphere in the Company, control over operating expenses (including headcount), return on capital employed, adapting the Company to advances in technology, and efficient risk management.

At its meeting of January 29, 2019, the Board of Directors confirmed that the performance conditions for granting the 15,000 performance shares had been met.

(2) The definitive allocation of these shares was subject to performance conditions in respect of the 2018 fiscal year. Of the 60,060 shares allocated on March 7, 2018, 55,508 were definitively awarded for effective performance.

5.2.3.5. Summary table of securities transactions by corporate officers and related parties during the last fiscal year

First name and surname	Lucile Ribot
Positions held	Director
Transactions conducted by parties related to the person above	-
Type of financial instrument	Shares
Total number of financial instruments sold	-
Weighted average price	€0
Total amount sold	€0
Total number of financial instruments purchased	250
Weighted average price	€39.6036
TOTAL ACQUISITION AMOUNT	€9,900.90

5.2.4. Share capital

The Company's authorized capital at November 30, 2018, was €5,684,659.24 consisting of 21,864,074 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 Shareholders' Meeting of May 3, 2018, to issue securities giving rights to an allocation of debt instruments for a period of 26 months, up to a

maximum limit of 3% of share capital. This authorization 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 599,212 SSWs that were held by the employees and corporate officer who have left the group 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, with a 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. Each SSW was only exercisable in the event of a "Change in control", as defined in the terms and conditions of the SSW, which had 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 share capital

Transactions	Number of shares issued	Total change in capital	Premium per share	Total issue premium	Successive capital amounts	Total number of shares	Par value
November 30, 1997	–	–	–	29,992,949 F	19,414,200 F	194,142	100 F
January 21, 2000	–	–	–	–	–	–	–
30-for-1 stock split	5,630,118	–	–	29,992,949 F	19,414,200 F	5,824,260	3.3333 F
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 company savings plan (FCPE) Kaufman & Broad Actionnariat ⁽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	–	–	–	–	–	–	–
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 reductions	(692,516)	€(180,054.16)	–	€975,128.67	€5,612,011.08	21,584,658	€0.26
February 10, 2016	–	–	–	–	–	–	–
Capital reductions	(747,619)	€(194,380.94)	–	€975,128.67	€5,417,630.14	20,837,039	€0.26
May 31, 2017	–	–	–	–	–	–	–
Capital increases	947,136	246,255.36	€29.87	29,266,080.99	€5,663,885.50	21,784,175	€0.26
Capital reductions	(947,136)	(246,255.36)	–	–	€5,417,630.14	20,837,039	€0.26
November 30, 2017	–	–	–	–	–	–	–
Capital increase in favor of the Company savings plan FCPE KB Actions 2017 ⁽⁴⁾	236,496	€61,488.96	€30.85	€36,561,982.59	€5,479,119.10	21,073,535	€0.26
May 31, 2018	–	–	–	–	–	–	–
2017 capital increase dividend payout	790,539	€205,540.14	€37.60	€66,080,708.85	€5,684,659.24	21,864,074	€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 solely to 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.

Kaufman & Broad SA launched its "KB Actions 2017" employee-shareholding scheme, 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 fungible with existing shares and vested, thereby raising the authorized capital to €5,479,119.10 consisting of 21,073,535 shares with their par value unchanged.

Kaufman & Broad SA's Shareholders' Meeting of May 3, 2018 resolved to propose that shareholders be given the option to receive payment in shares of the dividend for the fiscal year ended November 30, 2017. The issue price of these new shares was set at €37.60, representing 90% of the average price of Kaufman & Broad shares on the Euronext Paris regulated market over the 20 trading sessions preceding the date of said Shareholders' Meeting, less the net dividend of €2.10 per share, rounded up to the nearest euro cent. 790,539 new shares were issued for the payment of the dividend in shares. Settlement/delivery of the shares and their admission to trading on the Euronext Paris regulated market took place on May 30, 2018.

5.3. Current distribution of capital and voting rights

5.3.1. The Company's shareholding structure on November 30, 2018 and change over three years

The shareholding structure of our Company at November 30, 2018 was as follows:

Shareholders on November 30, 2018	Number of shares	% of share capital	% of voting rights exercisable at Shareholders' Meetings	% of theoretical voting rights
Shareholders				
Public ⁽¹⁾	16,774,878	76.72%	70.53%	69.15%
Artimus Participations ⁽²⁾	2,321,440	10.62%	14.33%	14.05%
Prédica/Spirica	1,766,629	8.08%	12.97%	12.72%
Employees ⁽³⁾	522,429	2.39%	2.17%	2.13%
Kaufman & Broad SA	478,878	2.19%	–	1.95%
TOTAL	21,864,074	100.00%	100.00%	100.00%

(1) Shares owned by directors are included in "Public" shareholders at November 30, 2018.

(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 owned approximately 25% of the share capital and voting rights of Artimus Participations).

(3) Includes shares held in the mutual funds (FCPE) Kaufman & Broad Actionnariat and KB Actions 2017 following the capital increase reserved for employees with the issue of 236,496 shares.

To pay the stock dividend, 790,539 new shares were issued representing 3.75% of the share capital and 3.60% of the voting rights of Kaufman & Broad SA on the basis of the share capital and voting rights as of April 30, 2018.

The total number of shares known to have double voting rights at November 30, 2018 was 1,335,456, representing 2,670,912 votes. Accordingly, the total number of the Company's theoretical voting rights totaled 24,534,986 on the same date, and the total number of voting rights exercisable at Shareholders' Meetings amounted to 19,961,849 (with the difference corresponding to the number of treasury shares held by the Company, stripped of voting rights).

There are 689 holders of registered shares, individuals and legal entities combined.

On November 30, 2018, the number of shares held by members of the Board of Directors totaled 37,482 shares representing 72,096 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 2.39% 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.

INFORMATION ABOUT THE GROUP'S BUSINESS ACTIVITIES

Current distribution of capital and voting rights

Shareholders on February 28, 2019	Number of shares	% of share capital	% of voting rights exercisable at Shareholders' Meetings	% of theoretical voting rights
Public ^(a)	16,705,579	76.41%	68.97%	67.47%
Artimus Participations ^(b)	2,321,440	10.62%	15.20%	14.87%
Prédica/Spirica	1,766,629	8.08%	13.67%	13.38%
Employees (Company savings scheme), KB Actions & Management and Kaufman & Broad SA employees ^(c)	528,540	2.42%	2.16%	2.11%
Kaufman & Broad SA (treasury stock)	541,886	2.48%	-	2.17%
TOTAL	21,864,074	100.00%	100.00%	100.00%

(a) Shares owned by directors are included in "Public" shareholders at February 28, 2018.

(b) 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).

(c) Includes shares held in the FCPE funds Kaufman & Broad Actionnariat and KB Actions 2017 following the capital increase reserved for employees with the issue of 236,496 shares.

The Company has no knowledge of any material changes in relation to its shareholding structure after February 28, 2019.

Disclosure thresholds on shares held in Kaufman & Broad SA

On April 30, 2018, Nordine Hachemi, in his capacity as Chairman of Artimus Participations, announced that, following the double voting rights obtained in respect of some of its shares in Kaufman & Broad SA, Artimus Participations had consecutively exceeded the upper statutory thresholds of 12% and 14% of voting rights, in accordance with Article 7 of Kaufman & Broad SA's bylaws.

On June 7, 2018, Kaufman & Broad SA was informed that Prédica, a subsidiary of Crédit Agricole Assurances SA, itself a subsidiary of Crédit Agricole SA, directly exceeded the statutory thresholds of 8% and 10% of Kaufman & Broad's voting rights on June 1, 2018. Consequently, on June 1, 2018, Prédica directly owned 1,517,608 shares and 2,871,793 voting rights, representing 6.94% of Kaufman & Broad's capital and 11.74% of its voting rights. On June 7, 2018, the Company was informed that Crédit Agricole SA and Crédit Agricole Assurances SA had indirectly exceeded the statutory thresholds of 8%, 10% and 12% of Kaufman & Broad SA's voting rights via the companies Prédica, Spirica and Cacéis of which it has control. Consequently, on June 1, 2018, Crédit Agricole SA indirectly owned 1,813,613 shares and 3,167,798 voting rights, representing 8.29% of Kaufman & Broad SA's capital and 12.95% of its voting rights (based on total share capital of 21,864,074 shares, representing 24,460,550 voting rights). That announcement was made on behalf of both Crédit Agricole SA, in its capacity as parent company, and of the companies it controls.

In addition to this threshold crossing disclosure, the following declaration of intent was made: pursuant to Article L. 233-7 VII of the French Commercial Code and Article 223-17 of the AMF's General Regulations, Crédit Agricole SA announced that Crédit Agricole Assurances SA and its subsidiaries Prédica SA and Spirica, acting in concert with respect to Kaufman & Broad SA, intend to pursue their objectives vis-à-vis Kaufman & Broad SA over the next six months.

The increase in the number of voting rights owned resulted from the decision to give double voting rights to blocks of shares registered in the name of the same shareholder for more than two years, in accordance with Kaufman & Broad SA's bylaws. Crédit Agricole Assurances SA and its subsidiaries declare that they:

- are not acting in concert with a third party;
- plan to continue buying Kaufman & Broad SA shares as market opportunities arise and in accordance with their investment policies;
- do not plan to take control of Kaufman & Broad SA;
- have no intention to change Kaufman & Broad SA's strategy or undertake any of the transactions provided for in Article 223-17 I, par. 6 of the AMF's General Regulations.
- are not party to any agreement and/or financial instruments in accordance with 4 and 4a of Article L. 233-9 of the French Commercial Code;
- have not signed any agreements or temporary sale agreements in respect of Kaufman & Broad SA's shares or voting rights.

In an AMF press release dated June 7, 2018, Prédica stated that it was not a member of Kaufman & Broad SA's Board of Directors and did not intend to seek the appointment of one or more additional members.

Finally, on December 10, 2018, the Caisse des Dépôts group (CDC) informed the Company that it had indirectly exceeded the regulatory threshold of 4% of Kaufman & Broad SA's share capital, via CDC Entreprises Valeurs Moyennes (CDC EVM). On that same date, CDC Entreprises Valeurs Moyennes exceeded that same threshold on an individual basis. Consequently, on that date, CDC indirectly owned 913,777 shares and voting rights, representing 4.17% of share capital and 3.73% of voting rights, via CDC Entreprises Valeurs Moyennes. Caisse des Dépôts (CDC) does not therefore own any Kaufman & Broad SA shares directly.

Kaufman & Broad SA shares held by directors on February 28, 2019	Number of shares	Number of voting rights
Shareholders		
Sylvie Charles	250	500
Jean-Louis Chaussade	264	264
Yves Gabriel	250	500
Nordine Hachemi	24,207	47,013
Sophie Lombard	263	263
Karine Normand	11,229	22,037
Michel Paris	269	519
Caroline Puechoultres	250	500
Lucile Ribot	250	250
Frédéric Stévenin	250	250
TOTAL	37,482	72,096

5.3.2. Changes in the distribution of authorized capital during the past three fiscal years

	2018		2017		2016	
Three-year changes in shareholding structure at November 30	Number of shares	% of capital	Number of shares	% of capital	Number of shares	% of capital
Shareholders						
Public ⁽¹⁾	16,774,878	76.72%	16,391,901	77.78%	8,607,246	41.31%
Artimus Participations ⁽²⁾	2,321,440	10.62%	2,198,644	10.43%	1,182,980	5.68%
Prédica/Spirica	1,766,629	8.08%	1,673,183	7.94%	1,428,560	6.86%
Employees ⁽³⁾	522,429	2.39%	518,381	2.46%	270,118	1.30%
Kaufman & Broad SA	478,878	2.19%	291,426	1.38%	1,748,555	8.39%
Companies owned by funds held by PAI Partners ⁽⁴⁾	-	-	-	-	7,599,580	36.47%
TOTAL	21,864,074	100.00%	21,073,535	100.00%	20,837,039	100.00%

(1) Shares owned by directors are included in "Public" shareholders at November 30, 2018.

(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 owned approximately 25% of the share capital and voting rights of Artimus Participations).

(3) Includes shares held in the mutual funds (FCPE) Kaufman & Broad Actionnariat and KB Actions 2017 following the capital increase reserved for employees with the issue 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 owned approximately 25% of the share capital and voting rights of Artimus Participations).

Three-year changes in voting rights at November 30

Holders	2018	2017	2016
Public ⁽¹⁾	70.53%	79.12%	33.08%
Artimus Participations ⁽²⁾	14.33%	10.46%	4.41%
Prédica/Spirica	12.97%	7.96%	5.33%
Employees ⁽³⁾	2.17%	2.46%	1.01%
Companies owned by funds managed by PAI Partners ⁽⁴⁾	–	–	56.17%
TOTAL	100.00%	100.00%	100.00%
TOTAL VOTING RIGHTS EXERCISABLE AT SHAREHOLDERS' MEETINGS	24,056,108	21,026,807	26,796,449
TOTAL THEORETICAL VOTING RIGHTS	24,534,986	21,318,233	28,545,004

(1) Shares owned by directors are included in "Public" shareholders at November 30, 2018.

(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 owned approximately 25% of the share capital and voting rights of Artimus Participations).

(3) Includes shares held in the mutual funds (FCPE) Kaufman & Broad Actionnariat and KB Actions 2017 following the capital increase reserved for employees with the issue of 236,496 shares.

(4) At November 30, Financière Gaillon 8 SA represented 55.61% of voting rights exercisable at Shareholders' Meetings.

The increase in voting rights mainly reflects the decision to grant double voting rights to the shares held by Artimus Participations and Prédica in step with Financière Gaillon 8's gradual exit from the Company's share capital since April 2016, with the latter's shares losing their double voting rights.

5.3.3. Legal entities with controlling interests 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 in Kaufman & Broad SA, with the exception of securities made available to the directors, Michel Paris and 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.

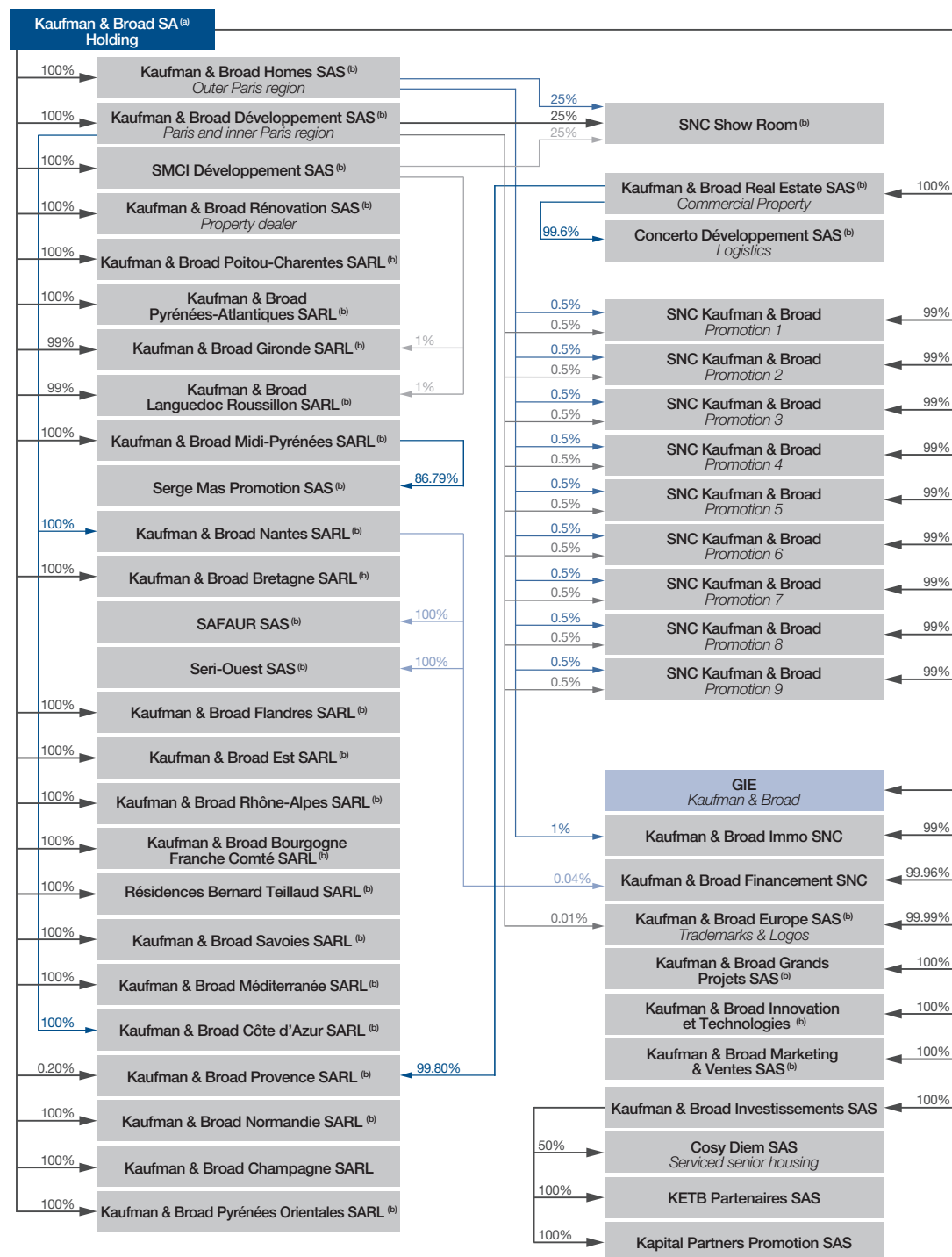
5.3.3.3. Pledges

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); These pledges 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 such pledges now exist.

5.3.4. Group organization chart

The following organization chart shows the companies owned by Kaufman & Broad SA as holding company at November 30, 2018, together with the percentage of the capital and voting rights these own:



(a) All Kaufman & Broad group subsidiaries operate in France.
(b) Group operating companies affiliated with the GIE.

5.3.4.1. Related party agreements

The terms and conditions of application of the agreements entered into by the various group entities are described in Section 4.1.5. "Notes to the financial statements" in Note 4. "Executive compensation (related parties)" paragraph "Terms and Conditions of Related-party Transactions".

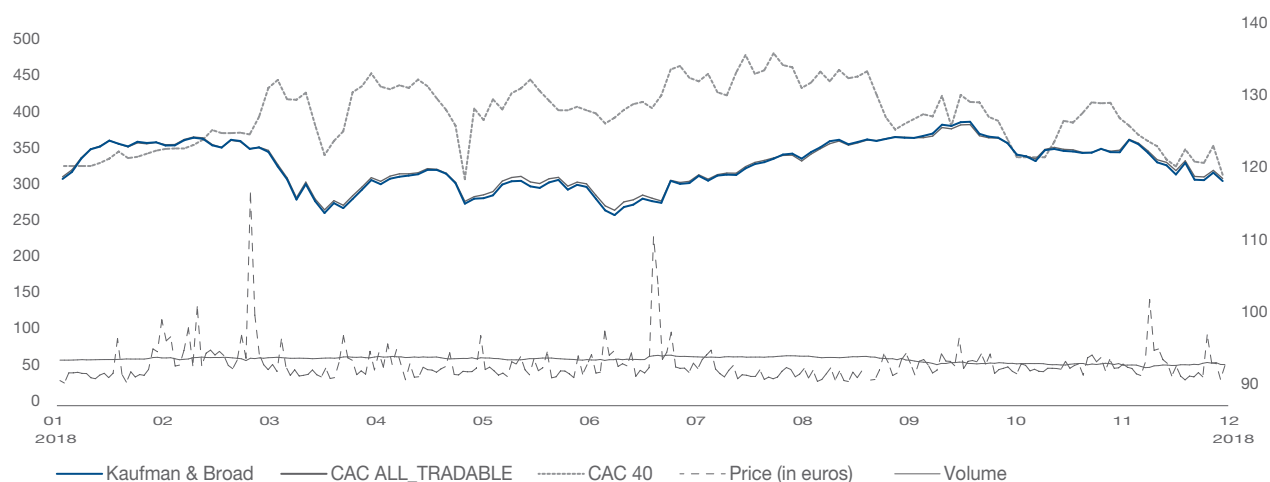
5.4. Trading in the Company's shares

From January 1 to December 31, 2018, the CAC All-TRADABLE index declined by 11.96%, while shares in Kaufman & Broad SA fell 17.65%.

2018	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	893.16	22	40.60	497,222	22,601	919,283	20,224,225
February	856.76	20	42.84	1,087,975	54,399	2,330,353	46,607,062
March	889.74	21	42.37	904,351	43,064	1,789,515	37,579,808
April	877.12	20	43.86	710,296	35,515	1,554,664	31,093,276
May	929.00	22	42.23	653,651	29,711	1,253,763	27,582,786
June	862.34	21	41.06	681,388	32,447	1,328,905	27,907,012
July	957.42	22	43.52	1,083,225	49,238	2,173,886	47,825,486
August	1,024.92	23	44.56	483,174	21,008	936,177	21,532,062
September	867.62	20	43.38	429,463	21,473	926,065	18,521,305
October	839.52	23	36.50	841,315	36,579	1,338,810	30,792,623
November	758.54	22	34.48	679,389	30,881	1,066,234	23,457,157
December	624.12	19	32.85	679,398	35,758	1,154,969	21,944,420

Source: Euronext Paris data for January 2019– 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 €)	Total amount (in €)
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
2018	Dividends ⁽³⁾	2.50	54,660,185.00

(1) Gross dividends calculated on the basis of 20,837,039 shares (including dividends payable on treasury shares).

(2) Gross dividends calculated on the basis of 21,073,535 shares (including dividends payable on treasury shares).

(3) Gross dividends calculated on the basis of 21,864,074 shares (including dividends payable on treasury shares).

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 Kaufman & Broad SA Shareholders' Meeting of May 3, 2018, decided to give shareholders the option to receive shares in payment for the dividend, set at €2.10 per share for the fiscal year ended November 30, 2017. The issue price of these new shares was set at €37.60, representing 90% of the average price of Kaufman & Broad shares on the Euronext Paris regulated market over the 20 trading sessions preceding the date of said Shareholders' Meeting, less the net dividend of €2.10 per share, rounded up to the nearest euro cent. The option was open for acceptance from May 9 to May 22, 2018 inclusive. At the end of this period, the shareholders who chose payment of the dividend in stock accounted for 67.3% of Kaufman & Broad SA shares. 790,539 new shares were issued for the purpose of paying the stock dividend, representing 3.75% of the share capital and 3.60% of the voting rights of Kaufman & Broad SA on the basis of the share capital and voting rights as of April 30, 2018. The settlement/delivery of the shares and their admission to trading on the Euronext Paris regulated market took place from May 30, 2018. The total dividend paid in cash to those shareholders who did not accept the stock dividend option amounted to €13.9 million and was paid on May 30, 2018.

On May 31, 2017, 947,146 new shares were issued for the purpose of paying the stock dividend, 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 on May 31, 2017. The settlement/delivery of the shares and their admission to trading on the Euronext Paris regulated market took place on June 2, 2017 and, in order to keep the number of shares unchanged on a fully diluted basis, Kaufman & Broad decided to cancel 947,136 treasury shares. The impact of this €29.9 million cancellation was booked to "Other reserves". The authorized capital remained unchanged following this transaction. Since treasury shares are recognized in the Consolidated Financial Statements as a deduction from shareholders' equity, in accordance with IFRS rules, 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.

At its meeting in February 2019, the Board of Directors decided to table a proposal for each shareholder to be given the choice, in respect of payment of the dividend for the year ended November 30, 2018, between (i) payment of the entire dividend in cash, (ii) payment of the entire dividend in new shares in the Company, or (iii) payment of the portion corresponding to half of the dividend (equal to €1.25 per share) in new shares with the balance to be paid in cash, it being understood that the shareholder will only have the right to one of these three proposed options; Pursuant to Article L. 232-19 of the French Commercial Code, the issue price of each share allocated in payment of all or part of the dividend equal to €1.25 per share, as appropriate, will be equivalent to 90% of the average price of Kaufman & Broad shares on the Euronext Paris regulated market over the 20 trading sessions preceding the date of said Shareholders' Meeting, less the net dividend subject to 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 17, 2019, which is the ex-coupon date, and will end on June 6, 2019 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 June 16, 2019; 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 €1.25 per share payable to them, depending on the case.

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 €1.25 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 17, 2019, which is the ex-coupon date, and will end on June 6, 2019 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 June 14, 2019; 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 €1.25 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

#8

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6.1. Markets

Economic social and demographic factors are expected to continue driving the new long-term housing market, on which Kaufman & Broad operates, over the next decade, with

- 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 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. The share of persons aged 75 years and over is expected to see even sharper growth, reaching 16.4% of the population in 2050, up from 9.0% currently. Indeed, in more than half of metropolitan regions, their share of the population is

even expected to top 18%. (Source: French national statistics institute INSEE, INSEE PREMIÈRE study No. 1652, published on June 22, 2017);

- the ongoing phenomenon of population concentration in the main metropolitan areas, 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 should support the property development market on which Kaufman & Broad operates, but will probably require an adjustment in terms of supply.

12-month housing market

After two years of growth (26.8% in 2016 and 2.1% in 2017), the housing market reached a 10-year high in 2017. This growth was attributable to residential market drivers: interest rates and government home ownership incentives, with the interest-free loan (PTZ) and the Pinel buy-to-let scheme. The market contracted slightly in 2018, down 1.9% at 127,964 orders (from 130,474 in 2017). Kaufman & Broad is expecting this trend to continue in 2019.

Several factors are expected to continue underpinning demand:

- long-term interest rates expected to remain at historic lows over the coming quarters;
- the PINEL and PTZ incentive schemes, which will remain valid through to 2021, should continue to ensure visibility and stability in 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. Indeed, 95% of the group's commercial offer is located in priority areas.

A 1.5% hike in household purchasing power, due to slower inflation combined with rising incomes.

That said, several stress factors could take a toll on the new-build market in 2019:

- local elections, which are due to be held in 2020 and have already led to a decrease in the number of building permits granted;
- the persistent mismatch between the price of properties on offer and household purchasing power. The rise in the public project abandonment rate to 29.3% at end 2018, where the long-term average stands at around 19%;
- the increase in building and land costs, notably the price of land in B1 investment zones.

In light of this current context, Kaufman & Broad is expecting the market to stand at around 115,000 housing units in 2019, which is still substantially higher than the 10-year average of 100,000 housing unit orders.

Commercial Property market

In light of current economic conditions, the ECB is maintaining its low-interest rate monetary policy until at least the summer of 2019. Financial market specialists such as Fitch Ratings and Franklin Templeton are expecting rates to remain unchanged through to 2020⁽¹⁾. Interest rates in France are therefore set to remain low (French 10-year treasury bond (OAT): 0.65% at end 2018 and expected at 1.16% in the medium term (2020) according to the OECD).

Accordingly, this asset class should continue to attract strong demand from investors with "premium" rates of return remaining at historically low levels.

In this context and on the basis of indicators at the end of 2018, Kaufman & Broad expects the market to remain dynamic in both the Offices and Logistics segments.

(1) The ECB will not raise its interest rates before 2021 – Franklin Templeton, *Les Échos*, January 15, 2019.
Fitch does not see ECB raising its rates before 2020, *Capital.fr*, December 12, 2018.

6.2. Strategies

General outlook

In these conditions, Kaufman & Broad is expecting business activity levels to remain satisfactory given the following indicators at end 2018:

- the 8.4% increase in the land reserve to 30,116 units;
- the 17.9% rise in the overall financial backlog and the 17.4% increase in the housing backlog;
- and more than 280,000 m² of office space and 66,000 m² of logistics warehouse space under development.

In terms of business activity:

The Company intends push ahead with its policy of offering products to suit its customers' financial capacities, by:

- strengthening its leading positions in the regions and developing its regional network, including through major urban projects, in order to gain access to significant land potential, particularly in the Île-de-France (Greater Paris) zone;
- remaining attentive to acquisitions growth opportunities enabling it to strengthen its geographical coverage and its regional network;
- pursuing and capitalizing on the development of business property development in the regions and especially major regional cities, and maintaining development momentum in Île-de-France;

- strengthening its supply of accommodation for students, hotels, or the elderly, notably with the ramp-up in its partnership with Serenis in Cosy Diem residences for the elderly.

In terms of financial indicators:

The group will be pursuing the same objectives it has targeted for several years now:

- keeping a firm hand on costs;
- controlling WCR and generating substantial operating cash flow;
- controlling commitments and related risks.

The ROCE is therefore expected to remain at a satisfactory level.

This approach should ensure stability in total revenues compared with 2018: the expected drop in the first half due to brisk activity in Business Property during the period should be offset by an increase in the second half. The gross margin ratio is expected to hold at around 19% and the adjusted EBIT ratio should remain above 9%.

6.3. Group outlook for the fiscal year ending November 30, 2019

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, fulfilling these goals requires the success of the group's strategy described in Section 2.1.4. "Outlook" of this Registration Document. The group therefore makes no commitment and gives no guarantee with respect to the fulfillment of the objectives set out in this section.

The group's 2019 objectives are based on the Consolidated Financial Statements for the period ended November 30, 2018 and on the following assumptions:

- relatively stable new housing market volumes of 115,000 units in 2019, with no expectation of a substantial increase in price;
- a continuation of the healthy performances in the Business Property market seen in 2018, particularly, in the Paris premium property market (see in particular Section 2.1.4. "Outlook" of this Registration Document);
- the same regulatory and tax environment for the group and the renewal of the Pinel incentive and PTZ incentive scheme for at least the next three years;

- no change in the accounting policies applied by the group at November 30, 2018.

Based on the above assumptions, the group is aiming to keep its total revenue stable relative to 2018 for the year ended November 30, 2019. In addition, the group aims to maintain a gross margin rate of approximately 19% of consolidated revenue for the current fiscal year, with an adjusted EBIT margin rate⁽¹⁾ of over 9.0% of consolidated revenue.

Lastly, in 2019, the group plans to distribute a dividend of €2.10 per share for the fiscal year ended November 30, 2018, subject to the approval of the group's Annual General 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, fulfilling these goals requires the success of the group's strategy described in Section 2.1.4. "Outlook" of this Registration Document. The group therefore makes no commitment and gives no guarantee with respect to the fulfilment 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 2019-2020

In the current economic backdrop, which the group expects to remain unchanged (see Section 2.1.1. "Macroeconomic data – OECD outlook for 2019-2020"), Kaufman & Broad's target for 2020 is to deliver sustained financial performance and profitability, i.e., a gross margin rate of around 19% and adjusted EBIT⁽¹⁾ of between 8.5% and 9%.

The group also aims to distribute a dividend representing approximately 75% of its attributable net income, excluding exceptional items, for the 2019 to 2020 financial years.

Finally, the group's capacity to generate cash should enable it to continue bolstering its financial position over the next two years, after taking into account this dividend distribution policy, while giving it the means to seize potential opportunities and take advantage of the firming in the housing market.

(1) Adjusted EBIT (Earnings Before Interest and Tax) is equal to current operating income 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

#07

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7.1. Person responsible for the Registration Document

Mr. 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, Friday, March 29, 2019

The Chairman and Chief Executive Officer

7.3. Person responsible for financial communications and investor relations

Mr. 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:

- Q1 results, Friday, April 12, 2019 after market close;
- H1 results, Wednesday, July 10, 2019 after market close;
- Q3 results, Monday, September 30, 2019 after market close;
- FY2019 results, in January 2020.

(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 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;

- 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 2017 Registration Document, the French version of which was filed with the AMF on Thursday, March 29, 2018 under reference No. D.18-0226;
- the financial information presented in Sections 2.1., 2.2., and 1.1.2.1. of the 2017 Registration Document, the French version of which was filed with the AMF on Thursday, March 29, 2018 under reference No. D.18-0226.

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

#08

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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 ended 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 4.1.5. "Notes to the financial statements", Note 10 "Statutory Auditors' fees".



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9.1. Agenda and Resolutions of the Shareholders' Meeting of May 2, 2019

Combined Ordinary and Extraordinary Shareholders' Meeting of May 2, 2019

AGENDA

Resolutions submitted to Ordinary Shareholders' Meetings

- review and approval of the annual financial statements for the fiscal year ended November 30, 2018;
- appropriation of earnings for the fiscal year ended November 30, 2018;
- option of payment in shares of all or part of the dividend for the fiscal year ended November 30, 2018;
- option of payment in shares of interim dividends for the fiscal year ended November 30, 2019;
- review and approval of the Consolidated Financial Statements for the fiscal year ended November 30, 2018;
- review and approval of agreements subject to Article L. 225-38 of the French Commercial Code;
- review and approval of the severance pay commitment made by the Company to Nordine Hachemi, Chairman and Chief Executive Officer, in the event that he leaves office;
- review and approval of the compensation commitment made by the Company to Nordine Hachemi, Chairman and Chief Executive Officer, in consideration for his non-compete clause;
- review and approval of the commitment made by the Company to grant Nordine Hachemi, Chairman and Chief Executive Officer, a supplemental defined-contribution retirement plan;
- approval of the principles and criteria for determining, distributing and awarding the fixed, variable and extraordinary components of the total compensation and benefits of any kind awardable to the Company's Chairman and Chief Executive Officer;
- approval of the fixed, variable and extraordinary components of the total compensation and benefits of any kind paid or awarded to the Company's Chairman and Chief Executive Officer for the fiscal year ended November 30, 2018;
- recording of the expiry of the term of office as Director of Yves Gabriel, renewal of the term of office as Director of Yves Gabriel for a period of three years;
- recording of the expiry of the term of office as Director of Jean-Louis Chaussade, renewal of the term of office as Director of Jean-Louis Chaussade for a period of three years;
- recording of the expiry of the term of office as Director of Michel Paris, renewal of the term of office as Director of Michel Paris for a period of three years;
- authorization to be granted to the Board of Directors, for a period of 18 months, for the Company to buy back its own shares;

Resolutions submitted to Extraordinary Shareholders' Meetings

- authorization to be granted to the Board of Directors, for a period of 26 months, for the Company to cancel shares held by it following a buyback of its own shares;
- delegation of authority to be granted to the Board of Directors, for a period of 26 months, to increase the Company's share capital by capitalizing reserves or premiums;
- delegation of authority to be granted to the Board of Directors, for a period of 26 months, to issue common stock and/or equity securities convertible into other equity securities or debt securities, and/or securities convertible into equity securities to be issued by the Company, with preemptive subscription rights for shareholders;
- delegation of authority to be granted to the Board of Directors, for a period of 26 months, to issue common stock and/or equity securities convertible into other equity securities or debt securities, and/or securities convertible into equity securities to be issued by the Company, without preemptive subscription rights for shareholders, in the event of a public offer;
- delegation of authority to be granted to the Board of Directors, for a period of 26 months, to issue common stock and/or equity securities convertible into other equity securities or debt securities, and/or securities convertible into equity securities to be issued by the Company, without preemptive subscription rights for shareholders, in the event of a private placement;
- authority to be granted to the Board of Directors, for a period of 26 months, in the event of the issuing of common stock and/or equity securities convertible into other equity securities or debt securities, and/or securities convertible into equity securities to be issued by the Company, without preemptive subscription rights for shareholders, to set the issue price in accordance with the rules set by the Shareholders' Meeting up to a maximum of 10% of the share capital;
- authority to be granted to the Board of Directors, for a period of 26 months, to increase the number of securities to be issued in the event of a capital increase, with or without preemptive subscription rights for shareholders;
- delegation of authority to be granted to the Board of Directors, for a period of 26 months, to issue shares and/or equity securities convertible into other equity securities or debt securities in consideration for contributions in kind of equity securities or securities convertible into shares up to a maximum of 10% of the share capital;
- delegation of authority to be granted to the Board of Directors, for a period of 26 months, to issue shares and/or equity securities convertible into other equity securities or debt securities in

consideration for securities contributed to any public exchange offers initiated by the Company;

- 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, for the benefit of participants in the group's Company Savings Plan(s), in an amount equal to 3% of the share capital;
- authorization to be granted to the Board of Directors, for a period of 38 months, to award bonus shares to be issued or already issued to employees and/or executive corporate officers of the Company and related entities;

- setting of general delegation of authority ceilings at a nominal amount of (i) €2,270,000 for all capital increases through the issuing of shares or equity securities convertible into other equity securities or securities convertible into equity securities to be issued, (ii) €568,000 for capital increases through the issuing of shares or equity securities convertible into other equity securities or securities convertible into equity securities to be issued without preemptive subscription rights and (iii) €500,000,000 for issues of debt securities convertible into equity or debt securities; setting of specific ceilings for capital increases that may result in the awarding of bonus shares;

Resolution submitted to the Ordinary Shareholders' Meeting

- powers to complete formalities.

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, 2018)

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, the report of the Chairman of the Board on the Board's operations and internal control, and the reports of the Statutory Auditors, approves the annual financial statements for the fiscal year ended November 30, 2018, 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 €57,170,733.14.

The Shareholders' Meeting duly notes that no expenditures or costs as provided for by Article 39-4 of the French General Tax Code were incurred by the Company for the fiscal year ended November 30, 2018.

SECOND RESOLUTION

(Appropriation of earnings for the fiscal year ended November 30, 2018)

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, resolves to appropriate the profit for the fiscal year ended November 30, 2018,

- in the amount of €57,170,733.14
- plus retained earnings in the amount of €279,590,585.80
- namely, a total of €336,761,318.94
- for the distribution of a dividend of €54,660,185.00
- the balance, namely €282,101,133.94

will be allocated to retained earnings, which accordingly will increase from €279,590,585.80 to €282,101,133.94.

The dividends in respect of the Company's treasury shares at the dividend payment date will be allocated to retained earnings.

The net dividend per share will be €2.50. This dividend will be paid no later than June 28, 2019.

Pursuant to Article 243-bis of the French General Tax Code, the Shareholders' Meeting notes that it has been informed that, during the last three fiscal years, the following dividends ⁽¹⁾ have been paid:

Fiscal year	Dividend	Eligible for tax relief
2015	€3.85/share	yes
2016	€1.85/share	yes
2017	€2.10/share	yes

(1) Amount(s) eligible for the 40% tax relief available to individuals who are tax resident in France, as provided for by 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, 2018)

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 for payment of the dividend for the fiscal year ended November 30, 2018, the option of either (i) payment of all of the dividend in cash, (ii) payment of all of the dividend in new Company shares, or (iii) payment of a portion equal to half of the dividend (equal to €1.25 per share) in new shares, the other half being paid in cash, bearing in mind that shareholders may only choose one of these options.

Pursuant to Article L. 232-19 of the French Commercial Code, the issue price of each share awarded in payment of all or part of the dividend of €1.25 per share, depending on the case, will be equal to at least 90% of the average listed price of the Kaufman & Broad share on Euronext Paris in the 20 trading sessions preceding the Shareholders' Meeting, less 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 distributions 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 the difference in cash, on the date on which they exercise their option, 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 17, 2019, which is the ex-coupon date, and will end on June 6, 2019 inclusive. The option may be exercised on request with authorized financial intermediaries. Any shareholders not exercising their options by the end of the period set by this resolution may only receive the dividend payable to them in cash. The dividend will be paid on June 14, 2019; on the same date, the shares will be delivered to those shareholders opting for the payment in shares of all or part of the dividend of €1.25 per share payable to them, depending on the case.

The Shareholders' Meeting resolves that the Board of Directors will have full powers, with the option of sub-delegation under the conditions set by law, to implement this resolution, and particularly to:

- approve the issue price of the shares awarded in payment of the dividend, within the limits and under the conditions set by this resolution;
- carry out any transactions related or consequent to the exercising of the option;
- deduct the costs of the capital increase from the amount of the related premium, and appropriate from this amount the sums necessary to bring the legal reserve to one-tenth of the new share capital;
- record the number of shares issued and the completion of the capital increase;
- amend the Company's bylaws accordingly;
- and, more generally, carry out all of the necessary formalities for the issuing, listing and financial servicing of the securities issued under this resolution and do whatever may be useful and necessary under the laws and regulations in force.

FOURTH RESOLUTION

(Option of payment in shares of interim dividends for the fiscal year ending November 30, 2019)

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, should the Board of Directors decide to pay one or more interim dividends for the fiscal year ending November 30, 2019, to grant, for each of these interim dividends, the option of either (i) payment of all of the interim dividend in cash,

(ii) payment of all of the interim dividend in new Company shares, or (iii) payment of a portion equal to half of the interim dividend in new shares, the other half being paid in cash, bearing in mind that shareholders may only choose one of these options.

The issue price of each share awarded in payment of all or half of the interim dividend(s), depending on the case, will be set by the Board of Directors and, in accordance with Article L. 232-19 of the French Commercial Code, must be equal to at least 90% of the average listed price of the Kaufman & Broad share on Euronext Paris in the 20 trading sessions preceding the decision by the Board of Directors to distribute the interim dividend, less the net amount of the interim dividend, rounded up to the nearest euro cent. The new shares thus issued will vest immediately, entitling holders to any dividend distributions as of their issue date.

Subscriptions must be made for a whole number of shares. If the interim 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 the difference in cash, on the date on which they exercise their option, or receive the whole number of shares immediately below and a payment for the balance in cash.

The Board of Directors will set the period, as from its decision to distribute an interim dividend, during which shareholders may request the payment of this interim dividend in shares. This period may not exceed three months, however.

The Shareholders' Meeting resolves that the Board of Directors will have full powers, with the option of sub-delegation under the conditions set by law, to implement this resolution, and particularly to:

- carry out any transactions related or consequent to the exercising of the option;
- if there is a capital increase, suspend the exercising of the right to obtain payment of an interim dividend in shares for a period that may not exceed three months, in accordance with the provisions of Article L. 232-20 of the French Commercial Code;
- deduct the costs of the capital increase from the amount of the related premium, and appropriate from this amount the sums necessary to bring the legal reserve to one-tenth of the new share capital;
- record the number of shares issued and the completion of the capital increase;
- amend the Company's bylaws accordingly;
- and, more generally, carry out all of the necessary formalities for the issuing, admission for trading and financial servicing of the securities issued under this resolution and do whatever may be useful and necessary under the laws and regulations in force on the date of the relevant transactions.

FIFTH RESOLUTION

(Review and approval of the Consolidated Financial Statements for the fiscal year ended November 30, 2018)

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, 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, 2018, 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 €72,972 thousand.

SIXTH RESOLUTION

(Review and approval of agreements subject to Article L. 225-38 et seq. of the French Commercial Code)

The Shareholders' Meeting, deliberating in accordance with the quorum and majority requirements for Ordinary Shareholders' Meetings, after a reading of the special report of the Statutory Auditors on the agreements subject to 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 agreements were entered into during the fiscal year ended November 30, 2018.

SEVENTH RESOLUTION

(Review and approval of the severance pay commitment made by the Company to Nordine Hachemi, Chairman and Chief Executive Officer, in the event that he leaves office)

The Shareholders' Meeting, deliberating in accordance with the quorum and majority requirements for Ordinary Shareholders' Meetings, after a reading of the special report of the Statutory Auditors on regulated commitments subject to Article L. 225-42-1 of the French Commercial Code, approves the severance pay commitment, as authorized by the Board of Directors, made by the Company to Nordine Hachemi, Chairman and Chief Executive Officer, in the event of his removal from office for any reason other than gross negligence or willful misconduct.

The severance pay will be equal to 12 months' gross fixed and variable compensation for the fiscal year ended, extended to 18 months if the Company is taken over by one or more third parties acting in concert, triggering an obligation to launch a public offer of the Company's shares.

EIGHTH RESOLUTION

(Review and approval of the compensation commitment made by the Company to Nordine Hachemi, Chairman and Chief Executive Officer, in consideration for his non-compete clause)

The Shareholders' Meeting, deliberating in accordance with the quorum and majority requirements for Ordinary Shareholders' Meetings, after a reading of the special report of the Statutory Auditors on regulated agreements subject to Article 225-42-1 of the French Commercial Code, approves the compensation commitment made by the Company to Nordine Hachemi, Chairman and Chief Executive Officer, in consideration for his non-compete clause, as authorized by the Board of Directors.

The period of Mr Hachemi's commitment will be equal to 12 months from the termination of his term of office. In consideration, he will receive fixed gross monthly compensation equivalent to 50% of the average monthly fixed gross compensation that he received during the twelve months preceding the termination of his term of office; the Company will have the option of reducing this term or releasing the executive officer from this commitment, however.

NINTH RESOLUTION

(Review and approval of the commitment made by the Company to grant a supplemental defined-contribution retirement plan to Nordine Hachemi, Chairman and Chief Executive Officer)

The Shareholders' Meeting, deliberating in accordance with the quorum and majority requirements for Ordinary Shareholders' Meetings, after a reading of the special report of the Statutory Auditors on regulated commitments subject to Article 225-42-1 of the French Commercial Code, approves the commitment made by the Company to grant a supplemental defined-contribution retirement plan to Nordine Hachemi, Chairman and Chief Executive Officer, as authorized by the Board of Directors.

The maximum amount of the annual contributions is capped at 8% of his gross salary up to a maximum of eight times the Social Security ceiling. In 2018, the Company paid €25,401.60 of contributions.

TENTH RESOLUTION

(Approval of the principles and criteria for determining, distributing and awarding the fixed, variable and extraordinary components of the total compensation and benefits of any kind awardable to the Company's Chairman and Chief Executive Officer)

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 on Corporate Governance prepared in accordance with Article L. 225-37, approves, in accordance with Articles L. 225-37-2 and R. 225-29-1 of the French Commercial Code, the principles and criteria for determining, distributing and awarding the fixed, variable and extraordinary components of the total compensation and benefits of any kind awardable, by reason of his office, to the Company's Chairman and Chief Executive Officer, as presented in Section 2.1. of the aforementioned report, included in Section 9.5. of the Company's 2018 Registration Document.

ELEVENTH RESOLUTION

(Approval of the payment of the fixed, variable and extraordinary components of the total compensation and benefits of any kind paid or awarded to the Company's Chairman and Chief Executive Officer for the fiscal year ended November 30, 2018)

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 on Corporate Governance prepared in accordance with Article L. 225-37 of the French Commercial Code, approves, in accordance with Articles L. 225-37-2 and R. 225-100 of the French Commercial Code, the fixed, variable and extraordinary components of the total compensation and benefits of any kind paid or awarded, by reason of his office, to the Company's Chairman and Chief Executive Officer, as presented in Section 2.2. of the aforementioned report, included in Section 9.5. of the Company's 2018 Registration Document.

TWELFTH RESOLUTION

(Recording of the expiry of the term of office as Director of Yves Gabriel, appointment of a Director for a period of three years)

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 term of office as Director of Yves Gabriel expires at the close of this Shareholders' Meeting, resolves to renew the term of office as Director of Yves Gabriel 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 ending November 30, 2021.

Yves Gabriel has made it known in advance that he would accept these duties if his term of office was renewed.

THIRTEENTH RESOLUTION

(Recording of the expiry of the term of office as Director of Jean-Louis Chaussade, appointment of a Director for a period of three years)

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 term of office as Director of Jean-Louis Chaussade expires at the close of this Shareholders' Meeting, resolves to renew the term of office as Director of Jean-Louis Chaussade 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 ending November 30, 2021.

Jean-Louis Chaussade has made it known in advance that he would accept these duties if his term of office was renewed.

FOURTEENTH RESOLUTION

(Recording of the expiry of the term of office as Director of Michel Paris, appointment of a Director for a period of three years)

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 term of office as Director of Michel Paris expires at the close of this Shareholders' Meeting, resolves to renew the term of office as Director of Michel Paris 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 ending November 30, 2021.

Michel Paris has made it known in advance that he would accept these duties if his term of office was renewed.

FIFTEENTH RESOLUTION

(Authorization to be granted to the Board of Directors, for a period of 18 months, for the Company to buy back its own shares)

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, authorizes the Board of Directors, with the option of delegation under the conditions set by law, in accordance with the provisions of Articles L. 225-209 et seq. of the French Commercial Code, to have the Company purchase its own shares.

This authorization may be used to:

- boost the market for, or the liquidity of, the Company's shares through an investment service provider under a liquidity agreement that complies with market practice accepted by the AMF on July 2, 2018;
- purchase shares to be held and subsequently delivered in payment or exchanged as part of corporate acquisition transactions;
- award or transfer shares to employees and/or corporate officers (under the conditions and rules set by law), particularly as part of a stock option plan, a bonus share award plan or a Company Savings Plan;
- award shares through the delivery of shares on the exercising of rights attached to securities convertible into Company shares through redemption, conversion, exchange, the presentation of a warrant, or in any other way;
- potentially cancel the shares purchased, subject to the adoption of the sixteenth extraordinary resolution appearing on the agenda for today's Shareholders' Meeting;
- more generally, carry out any transactions authorized now or in the future by the regulations in force, particularly if they are in keeping with market practice accepted by the AMF.

The purchases, disposals or transfers described above may be carried out through any method compatible with the applicable laws 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.

This authorization may not be used by the Board of Directors, unless previously authorized by the Shareholders' Meeting, from the filing by a third party of a public offer for the Company's shares until the end of the offer period.

The Shareholders' Meeting sets the maximum number of shares that may be purchased under this resolution at 10% of the share capital, adjusted for any transactions carried out after this meeting that may affect the share capital, bearing in mind that: (i) under this authorization, the number of treasury shares must be taken into consideration so that the Company always remains within the limit of the number of treasury shares owned, equal to a maximum of 10% of the share capital; (ii) the number of treasury shares delivered in payment or exchange as part of a merger, demerger or contribution, may not exceed 5% of the share capital.

The Shareholders' Meeting resolves that the total amount for such purchases may not exceed €120,252,407 and resolves that the maximum purchase price may not exceed €55 per share.

In the event of a capital increase through the capitalization of premiums, reserves or profits, or in the form of an award of bonus shares, during the period of validity of this authorization, or in the event of a stock split or reverse stock split, the Shareholders' Meeting delegates to the Board of Directors the power 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 powers to the Board of Directors, with the option of delegation under the conditions set by law, to:

- resolve to implement this authorization;
- set the conditions and rules the observance of which ensures, if necessary, the preservation of the rights of holders of securities convertible into shares, stock warrants or stock options, or rights to performance share awards, in accordance with the legal, regulatory or contractual provisions;
- place any stock market orders or enter into any agreements specifically in order to keep registers of share buy and sell transactions in accordance with the applicable regulations;
- make any declarations and complete any other formalities and, generally, do whatever is necessary.

The Board of Directors will inform the shareholders attending the Annual Ordinary Shareholders' Meeting about all the transactions carried out in accordance with this resolution.

This authorization has been granted for a period of 18 months from the date of this Shareholders' Meeting.

It supersedes the authorization previously granted by the Shareholders' Meeting of May 3, 2018 in its sixteenth resolution.

Resolutions submitted to Extraordinary Shareholders' Meetings

SIXTEENTH RESOLUTION

(Authorization to be granted to the Board of Directors, for a period of 26 months, to cancel shares held by the Company following a buyback of its own shares)

The Shareholders' Meeting, deliberating in accordance with the quorum and majority requirements 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 Company's shares that the Company holds or may hold under the aforementioned Article L. 225-209, and to reduce the share capital by the total nominal amount of the shares thus canceled, up to a maximum of 10% of the share capital per 24-month period, adjusted for any capital increases subsequent to this Shareholders' Meeting affecting the share capital.

The Shareholders' Meeting grants the Board of Directors full powers to carry out capital reductions, deduct the difference between the repurchase price of the canceled shares and their nominal value from any reserves or premiums, amend the bylaws accordingly, reallocate the portion of the legal reserve that has become available as a result of the capital reduction, make any declarations to the AMF, and complete any other formalities and, generally, do whatever is necessary.

This authorization has been granted for a period of twenty-six months from today.

It supersedes the authorization previously granted by the Shareholders' Meeting of May 3, 2018 in its seventeenth resolution.

SEVENTEENTH RESOLUTION

(Delegation of authority to be granted to the Board of Directors, for a period of 26 months, to increase the share capital by capitalizing reserves or premiums)

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, in accordance with Articles L. 225-129, L. 225-129-2 and L. 225-130 of the French Commercial Code:

1. delegates to the Board of Directors, with the option of sub-delegation, its authority to capitalize, on one or more occasions, in the proportion and at the times that it sees fit, all or part of the profits, reserves or premiums whose capitalization is possible legally and under the bylaws, through bonus common stock awards or by increasing the nominal value of existing shares, or through a combination of these methods;
2. sets the period of this delegation of authority's validity at twenty-six (26) months from the date of this Shareholders' Meeting;
3. sets the maximum nominal amount of the capital increases that may be carried out in accordance with this delegation of authority at €853,000, bearing in mind that this ceiling may be increased, where appropriate, by the nominal value of the shares to be issued to preserve the rights of holders of securities convertible into shares, stock warrants or stock options, or rights to performance share awards;
4. resolves that the Board of Directors may not use this delegation of authority, unless previously authorized by the Shareholders' Meeting, from the filing by a third party of a public offer for the Company's shares until the end of the offer period;
5. grants full powers to the Board of Directors, with the option of delegation to the Chief Executive Officer or, in agreement with the latter, to a Deputy Chief Executive Officer, to implement this delegation of authority, in accordance with the conditions set by law, and particularly to decide that rights to fractions of shares will not be tradable, the corresponding shares will be sold as provided for by the applicable regulations, and the proceeds of the sale will be allocated to rightsholders;
6. notes that this resolution supersedes the authorization previously granted by the Shareholders' Meeting of May 11, 2017 in its tenth resolution.

EIGHTEENTH RESOLUTION

(Delegation of authority to be granted to the Board of Directors, for a period of 26 months, to issue common stock and/or equity securities convertible into other equity securities or debt securities, and/or securities convertible into equity securities to be issued by the Company with preemptive subscription rights for shareholders)

The Shareholders' Meeting, deliberating in accordance with the quorum and majority requirements for Extraordinary Shareholders' Meetings, after a reading of the report of the Board of Directors and the special report of the Statutory Auditors, in accordance with the provisions of the French Commercial Code and particularly its Articles L. 225-129, L. 225-129-2 and L. 228-92:

1. delegates to the Board of Directors, with the option of sub-delegation, its authority to issue, on one or more occasions, in the proportion and at the times that it sees fit, in France and/or abroad, in euros, or

in any other currency or unit of account established by reference to several currencies, common stock, equity securities convertible into other equity securities or debt securities, and/or any other securities, including stand-alone stock warrants or stock options, convertible into equity securities to be issued by the Company, in the forms and under the conditions that the Board of Directors deems appropriate; bearing in mind that the issuing of preference shares and securities convertible into preference shares now or in the future is excluded from this delegation of authority;

2. sets the period of this delegation of authority's validity at twenty-six (26) months from the date of this Shareholders' Meeting;

3. resolves that, if this delegation of authority is used by the Board of Directors:

- the maximum nominal amount (excluding the issue premium) of the capital increases that may be carried out as a result of the issuing of shares or securities referred to above in point 1 is set at €2,270,000, bearing in mind that:
 - in the event of a capital increase through the capitalization of premiums, reserves or profits, or in the form of an award of bonus shares, during the period of validity of this delegation of authority, the aforementioned nominal amount will be adjusted by applying a multiplying coefficient equal to the ratio between the number of securities making up the share capital after the transaction and the number prior to the transaction,
 - the aforementioned ceiling will be increased by the nominal amount of the shares to be issued to preserve the rights of holders of securities convertible into shares, stock options and/or stock warrants or rights to bonus share awards,
 - the nominal amount of any capital increase carried out in accordance with this delegation of authority will be deducted from the total nominal ceiling for capital increases set out in the twenty-seventh resolution,
- in addition, the total maximum nominal amount of issues of securities representing claims against the Company convertible into shares or debt securities may not exceed €500,000,000, or the equivalent of this amount on that day in any other currency or unit of account established by reference to several currencies; bearing in mind that this amount will be deducted from the total nominal ceiling for issues of securities representing claims against the Company convertible into shares or debt securities set out in the twenty-seventh resolution;

4. resolves that, if this delegation of authority is used:

- shareholders will have a preemptive subscription right and may subscribe on a fixed entitlement basis in proportion to the number of shares that they hold, the Board being able to introduce a right to subscribe on a reducible basis and to provide for an extension clause solely to satisfy any reducible subscription orders that couldn't be satisfied,
- if subscriptions on a fixed entitlement basis and, where appropriate, subscriptions on a reducible basis, do not absorb all of the issue, the Board of Directors may offer all or some of the shares and/or securities not subscribed for to the public;

5. resolves that the Board of Directors may not use this delegation of authority, unless previously authorized by the Shareholders' Meeting, from the filing by a third party of a public offer for the Company's shares until the end of the offer period;

6. grants the Board of Directors full powers, with the option of delegation to the Chief Executive Officer or, in agreement with the latter, to a Deputy Chief Executive Officer, to implement, under the conditions set by law, this delegation of authority, deduct any capital increase costs from the related premiums, and appropriate from this amount the sums necessary to increase the legal reserve to one-tenth of the new share capital after each increase;

7. notes that, if this delegation of authority is used, the decision to issue securities convertible into Company shares will automatically entail, for the benefit of holders of these securities, the waiving by shareholders of their preemptive right to subscribe for the equity securities that these securities would be convertible into;

8. resolves that the Board of Directors may suspend the exercising of the rights attached to securities issued, for a maximum period of three months, and will take any useful measures with regard to the adjustments to be made in accordance with the legal and regulatory provisions in force, and the contractual stipulations, where appropriate, to protect holders of rights attached to securities convertible into Company shares;

9. notes that this authorization supersedes the delegation of authority granted to the Board of Directors by the Shareholders' Meeting of May 11, 2017 in its eleventh resolution.

NINETEENTH RESOLUTION

(Delegation of authority to be granted to the Board of Directors, for a period of 26 months, to issue common stock and/or equity securities convertible into other equity securities or debt securities, and/or securities convertible into equity securities to be issued by the Company, with preemptive subscription rights for shareholders, in the event of a public offer)

The Shareholders' Meeting, deliberating in accordance with the quorum and majority requirements for Extraordinary Shareholders' Meetings, after a reading of the report of the Board of Directors and the special report of the Statutory Auditors, in accordance with the provisions of the French Commercial Code, particularly Articles L. 225-129, L. 225-129-2, L. 225-135, L. 225-136 et seq. and L. 228-92:

1. delegates to the Board of Directors, with the option of sub-delegation, its authority to issue, on one or more occasions, in the proportion and at the times that it sees fit, in France and/or abroad, in euros, or in any other currency or unit of account established by reference to several currencies, through a public offer, common stock and/or equity securities convertible into other equity securities or debt securities, and/or other securities, including stand-alone stock warrants or stock options, convertible into Company shares or debt securities, in the forms and under the conditions that the Board of Directors deems appropriate, bearing in mind that the issuing of preference shares and securities convertible into preference shares now or in the future is excluded from this delegation of authority;

2. sets the validity period of this delegation of authority at twenty-six (26) months from the date of this Shareholders' Meeting;
3. resolves that, if the Board of Directors uses this delegation of authority:
 - the maximum nominal amount (excluding the issue premium) of the capital increases that may be carried out as a result of the issuing of shares or securities referred to above in point 1 is set at €568,000, bearing in mind that:
 - in the event of a capital increase through the capitalization of premiums, reserves or profits, or in the form of an award of bonus shares, during the period of validity of this delegation of authority, the aforementioned nominal amount will be adjusted by applying a multiplying coefficient equal to the ratio between the number of securities making up the share capital after the transaction and the number prior to the transaction,
 - the aforementioned ceiling will be increased by the nominal amount of the shares to be issued to preserve the rights of holders of securities convertible into shares, stock options and/or stock warrants or rights to bonus share awards,
 - the nominal amount of any capital increases carried out in accordance with this delegation of authority will be deducted from the total nominal ceiling of €2,270,000 set out for all capital increases, and the nominal ceiling of €568,000 set out for all capital increases without preemptive subscription rights in the twenty-seventh resolution,
 - in addition, the total maximum nominal amount of issues of securities representing claims against the Company convertible into shares or debt securities may not exceed €500,000,000, or the equivalent of this amount on that day in any other currency or unit of account established by reference to several currencies; bearing in mind that this amount will be deducted from the total nominal ceiling for issues of securities representing claims against the Company convertible into shares or debt securities set out in the twenty-seventh resolution;
4. resolves to remove shareholders' preemptive rights to subscribe for shares and other securities that may be issued by the Company in accordance with this resolution;
5. resolves that, with regard to issues carried out under this delegation of authority, the Board of Directors may introduce, for the benefit of shareholders, a subscription priority period, for subscriptions on a fixed entitlement and possibly a reducible basis, not granting a right to the creation of tradable rights, and therefore delegates to the Board of Directors, with the option of sub-delegation under current legal and regulatory conditions, the authority to set this period and the related rules, in accordance with the provisions of Article L. 225-135-5 of the French Commercial Code;
6. resolves that the amount of the consideration accruing and/or that should subsequently accrue to the Company for each of the shares issued or to be issued under this delegation of authority, taking into account, in the event of the issuing of stand-alone stock warrants, the issue price of the said warrants, will be at least equal to the minimum price provided for by the regulations in force on the day of the issue (i.e., on that day, the weighted average of the prices for the last three trading sessions preceding its setting, less a maximum 5% discount);

7. resolves that the Board of Directors may suspend the exercising of the rights attached to securities issued, for a maximum period of three months, and will take any useful measures with regard to the adjustments to be made in accordance with the legal and regulatory provisions in force, and the contractual stipulations, where appropriate, to protect holders of rights attached to securities convertible into Company shares;
8. resolves that the Board of Directors may not use this delegation of authority, unless previously authorized by the Shareholders' Meeting, from the filing by a third party of a public offer for the Company's shares until the end of the offer period;
9. grants the Board of Directors full powers, with the option of delegation to the Chief Executive Officer or, in agreement with the latter, to a Deputy Chief Executive Officer, to implement, under the conditions set by law, this delegation of authority, deduct any capital increase costs from the related premiums, and appropriate from this amount the sums necessary to increase the legal reserve to one-tenth of the new share capital after each increase;
10. notes that, if this delegation of authority is used, a decision to issue securities convertible into Company shares will automatically entail, for the benefit of holders of these securities, the waiving by shareholders of their preemptive right to subscribe for the equity securities that these securities would be convertible into;
11. notes that this authorization supersedes the delegation of authority granted to the Board of Directors by the Shareholders' Meeting of May 11, 2017, in its twelfth resolution.

TWENTIETH RESOLUTION

(Delegation of authority to be granted to the Board of Directors, for a period of 26 months, to issue common stock and/or equity securities convertible into other equity securities or debt securities, and/or securities convertible into equity securities to be issued by the Company, without preemptive subscription rights for shareholders, in the event of a private placement)

The Shareholders' Meeting, deliberating in accordance with the quorum and majority requirements for Extraordinary Shareholders' Meetings, after a reading of the report of the Board of Directors and the special report of the Statutory Auditors, in accordance with the provisions of the French Commercial Code, and particularly Articles L. 225-129, L. 225-129-2, L. 225-135, L. 225-136 et seq., L. 228-92 and L. 228-93:

1. delegates to the Board of Directors, with the option of sub-delegation, its authority to issue, on one or more occasions, in the proportion and at the times that it sees fit, in France and/or abroad, in euros, or in any other currency or unit of account established by reference to several currencies, through an offer subject to Article L. 411-2-2 of the French Monetary and Financial Code, common stock and/or equity securities convertible into other equity securities or debt securities, and/or other securities, including stand-alone stock warrants, convertible into equity securities to be issued by the Company, in the forms and under the conditions that the Board of Directors deems appropriate, bearing in mind that the issuing of preference shares and securities convertible into preference shares now or in the future is excluded from this delegation of authority;

2. sets the validity period of this delegation of authority at twenty-six (26) months from the date of this Shareholders' Meeting;
3. resolves that, if the Board of Directors uses this delegation of authority:
 - the maximum nominal amount (excluding the issue premium) of the capital increases that may be carried out as a result of the issuing of shares or securities referred to above in point 1 is set at €568,000, bearing in mind that:
 - in the event of a capital increase through the capitalization of premiums, reserves or profits, or in the form of an award of bonus shares, during the period of validity of this delegation of authority, the aforementioned nominal amount will be adjusted by applying a multiplying coefficient equal to the ratio between the number of securities making up the share capital after the transaction and the number prior to the transaction,
 - the aforementioned ceiling will be increased by the nominal amount of the shares to be issued to preserve the rights of holders of securities convertible into shares, stock options and/or stock warrants or rights to bonus share awards,
 - issuance will be limited to 20%, per year, of the share capital, adjusted for the transactions subsequent to this Shareholders' Meeting affecting the share capital,
 - the nominal amount of any capital increases carried out in accordance with this delegation of authority will be deducted from the total nominal ceiling of €2,270,000 set out for all capital increases, and the nominal ceiling of €568,000 set out for all capital increases without preemptive subscription rights in the twenty-seventh resolution,
 - in addition, the maximum nominal amount of issues of securities representing claims against the Company convertible into equity securities to be issued by the Company may not exceed €500,000,000, or the equivalent of this amount on that day in any other currency or unit of account established by reference to several currencies; bearing in mind that this amount will be deducted from the total nominal ceiling for issues of securities representing claims against the Company convertible into shares or debt securities set out in the twenty-seventh resolution;
4. resolves to remove shareholders' preemptive rights to subscribe for shares and other securities that may be issued by the Company in accordance with this resolution;
5. resolves that the amount of the consideration accruing and/or that should subsequently accrue to the Company for each of the shares issued or to be issued under this delegation of authority, taking into account, in the event of the issuing of stand-alone stock warrants, the issue price of the said warrants, will be at least equal to the minimum price provided for by the regulations in force on the day of the issue (i.e., on that day, the weighted average of the prices for the last three trading sessions preceding its setting, less a maximum 5% discount);
6. resolves that the Board of Directors may suspend the exercising of the rights attached to securities issued, for a maximum period of three months, and will take any useful measures with regard to the adjustments to be made in accordance with the legal and regulatory provisions in force, and the contractual stipulations, where appropriate, to protect holders of rights attached to securities convertible into Company shares;
7. resolves that the Board of Directors may not use this delegation of authority, unless previously authorized by the Shareholders' Meeting, from the filing by a third party of a public offer for the Company's shares until the end of the offer period;
8. grants the Board of Directors full powers, with the option of delegation to the Chief Executive Officer or, in agreement with the latter, to a Deputy Chief Executive Officer, to implement, under the conditions set by law, this delegation of authority, deduct any capital increase costs from the related premiums, and appropriate from this amount the sums necessary to increase the legal reserve to one-tenth of the new share capital after each increase;
9. notes that, if this delegation of authority is used, a decision to issue securities convertible into Company shares referred to in point 1 above will automatically entail, for the benefit of holders of the securities issued, the waiving by shareholders of their preemptive right to subscribe for the equity securities that these securities issued would be convertible into;
10. notes that this authority supersedes the delegation of authority granted to the Board of Directors by the Shareholders' Meeting of May 11, 2017, in its thirteenth resolution.

TWENTY-FIRST RESOLUTION

(Authority to be granted to the Board of Directors, for a period of 26 months, in the event of the issuing of common stock and/or equity securities convertible into other equity securities or debt securities, and/or securities convertible into equity securities to be issued by the Company, without preemptive subscription rights for shareholders, to set the issue price in accordance with the rules set by the Shareholders' Meeting up to a maximum of 10% of the share capital)

The Shareholders' Meeting, deliberating in accordance with the quorum and majority requirements for Extraordinary Shareholders' Meetings, after a reading of the report of the Board of Directors and the special report of the Statutory Auditors, in accordance with the provisions of Article L. 225-136 of the French Commercial Code, authorizes the Board of Directors, if the nineteenth and twentieth resolutions are implemented, to deviate from the price setting conditions set out by the said resolutions and to set the price as follows:

- the common stock issue price will be at least equal, as decided by the Board of Directors, (i) to the weighted average price of the Company's shares on the Euronext Paris regulated market on the day preceding the issue price setting date, potentially less a maximum 5% discount, or (ii) the weighted average price of the Company's shares on the Euronext Paris regulated market over a maximum period of six months preceding the issue price setting date, potentially less a maximum 5% discount;
- the issue price of equity securities convertible in any way, now or in the future, into Company shares, will be the same as the sum immediately received by the Company, plus, where appropriate, the sum that may subsequently be received by it, i.e. for each Company share issued as a result of the issuing of these securities, at least equal to the amount referred to above;

- the maximum nominal amount of any capital increases resulting from the implementation of this resolution may not exceed 10% of the share capital per 12-month period and the ceilings set by the twenty-seventh resolution, from which they are deducted.

This authorization has been granted for a period of twenty-six (26) months from the date of this Shareholders' Meeting.

It supersedes the delegation of authority granted to the Board of Directors by the Shareholders' Meeting of May 11, 2017 in its fourteenth resolution.

TWENTY-SECOND RESOLUTION

(Authority to be granted to the Board of Directors, for a period of twenty-six months, to increase the number of securities to be issued in the event of a capital increase with or without preemptive subscription rights for shareholders)

The Shareholders' Meeting, deliberating in accordance with the quorum and majority requirements for Extraordinary Shareholders' Meetings, after a reading of the report of the Board of Directors and the special report of the Statutory Auditors, delegates to the Board of Directors, for issues decided on in accordance with the delegations of authority granted to the Board of Directors under the previous resolutions (eighteenth, nineteenth and twentieth resolutions), its authority to increase the number of securities to be issued in the initial issue, under the conditions set out in Articles L. 225-135-1 and R. 225-118 of the French Commercial Code, up to a maximum of the ceilings provided for in the said resolutions and for the period set out in the said resolutions.

This authorization supersedes the delegation of authority granted to the Board of Directors by the Shareholders' Meeting of May 11, 2017 in its fifteenth resolution.

TWENTY-THIRD RESOLUTION

(Delegation of authority to be granted to the Board of Directors, for a period of 26 months, to issue shares or equity securities convertible into other equity securities or debt securities in compensation for contributions in kind of equity securities or securities convertible into shares up to a maximum of 10% of the share capital)

The Shareholders' Meeting, deliberating in accordance with the quorum and majority requirements for Extraordinary Shareholders' Meetings, after a reading of the report of the Board of Directors and the special report of the Statutory Auditors, in accordance with Article L. 225-147 of the French Commercial Code:

- delegates to the Board of Directors, with the option of sub-delegation, the powers necessary to issue, up to a maximum of 10% of the Company's current share capital, Company shares or equity securities convertible into shares in compensation for contributions in kind granted to the Company and composed of equity securities or securities convertible into shares, if the provisions of Article L. 225-148 of the French Commercial Code are not applicable;
- resolves that the share issues carried out in accordance with this delegation of authority will be deducted from the ceilings referred to in the twenty-seventh resolution below;
- notes that the Company's shareholders will not have a preemptive right to subscribe for shares issued under this delegation of authority, the latter being solely intended as consideration for contributions in kind, and notes that this delegation of authority entails the

waiving by shareholders of their preemptive right to subscribe for the Company shares into which the securities issued under this delegation may be converted;

- resolves that the Board of Directors may not use this delegation of authority, unless previously authorized by the Shareholders' Meeting, from the filing by a third party of a public offer for the Company's shares until the end of the offer period;
- grants the Board of Directors the power, in order to implement this authorization, to approve the value of contributions, deduct capital increase costs from the amount of the premiums relating to these increases and amend the bylaws accordingly.

This delegation of authority has been granted for a period of twenty-six (26) months from the date of this Shareholders' Meeting.

This authorization supersedes the delegation of authority granted to the Board of Directors by the Shareholders' Meeting of May 11, 2017 in its sixteenth resolution.

TWENTY-FOURTH RESOLUTION

(Delegation of authority to be granted to the Board of Directors, for a period of 26 months, to issue shares and/or equity securities convertible into other equity securities or debt securities in compensation for securities contributed to any public exchange offers initiated by the Company)

The Shareholders' Meeting, deliberating in accordance with the quorum and majority requirements for Extraordinary Shareholders' Meetings, after a reading of the report of the Board of Directors and the special report of the Statutory Auditors, in accordance with Articles L. 225-148, L. 225-129 and L. 228-92 of the French Commercial Code:

- delegates to the Board of Directors, with the option of sub-delegation, its authority to decide, on one or more occasions, to issue shares and/or equity securities convertible into other equity securities, or debt securities, in consideration for securities contributed to any public exchange offers initiated in France or abroad in accordance with local rules (e.g. as part of a reverse merger as are seen in English-speaking countries) by the Company;
- resolves that the total nominal amount (excluding the issue premium) of the capital increases that may be carried out by issuing shares or securities convertible into Company shares or, provided that the first security is a share, convertible into debt securities, may not exceed €568,000, bearing in mind that:
 - in the event of a capital increase through the capitalization of premiums, reserves or profits, or in the form of an award of bonus shares, during the period of validity of this delegation of authority, the aforementioned total nominal amount (excluding the issue premium) will be adjusted by applying a multiplying coefficient equal to the ratio between the number of securities making up the share capital after the transaction and the number prior to the transaction,
 - the ceiling will be increased by the nominal amount of the shares to be issued to preserve the rights of holders of securities convertible into shares, stock warrants and/or stock options or rights to bonus share awards;
- resolves that issues of shares and/or securities convertible into a percentage of the Company's shares or debt securities under this

delegation will be deducted from the ceilings referred to in the twenty-seventh resolution below;

- notes that the Company's shareholders will not have a preemptive right to subscribe for any shares and/or securities issued under this delegation of authority, the latter being solely intended as consideration for securities contributed to a public exchange offer initiated by the Company;
- notes that the price of any shares or securities issued under this delegation of authority will be defined based on the laws applicable to public exchange offers;
- grants the Board of Directors the power, with an option of sub-delegation under the conditions set by law, to implement this authorization and deduct capital increase costs from the amount of the premiums relating to these increases.

This delegation of authority has been granted for a period of twenty-six (26) months from the date of this Shareholders' Meeting.

This authorization supersedes the delegation of authority granted to the Board of Directors by the Shareholders' Meeting of May 11, 2017 in its seventeenth resolution.

TWENTY-FIFTH 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) up to a maximum amount of 3% of the share capital)

The Shareholders' Meeting, deliberating in accordance with the quorum and majority requirements for Extraordinary Shareholders' Meetings, after a reading of the report of the Board of Directors and the special report of the Statutory Auditors, in accordance with 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 in order to comply with the provisions of Article L. 225-129-6 of the French Commercial Code:

1. delegates to the Board of Directors, with the option of sub-delegation, its authority to (i) increase the Company's share capital, on one or more occasions, by issuing shares and/or securities convertible into equity securities to be issued by the Company reserved for participants in the group's Company Savings Plans and (ii) where appropriate, to award performance shares or securities convertible into shares to fully or partially compensate for the discount referred to in point 3 below, under the conditions and within the limits provided for by Article L. 3332-21 of the French Labor Code, bearing in mind that, where appropriate, the Board of Directors may fully or partially compensate for this capital increase by disposing of existing securities held by the Company under the same conditions;
2. resolves that the number of shares that may result from all the shares issued under this delegation of authority, including those resulting from the shares or securities convertible into shares potentially awarded as bonus shares to fully or partially compensate for the discount under the conditions set by Article L. 3332-18 et seq. of the French Labor Code, may not exceed 3% of the share capital, bearing in mind that the nominal amount of any capital increase carried out in accordance with this delegation of authority will be deducted from the total nominal ceiling for capital increases set out in

the twenty-seventh resolution below. The shares thus issued may be increased, where appropriate, by the number of additional shares to be issued in order to preserve, in accordance with the law, the rights of holders of securities convertible into Company shares;

3. resolves that (i) the issue price for new shares may neither exceed the average of the first share prices quoted in the twenty trading sessions preceding the day of the decision of the Board of Directors or of the Chief Executive Officer setting the subscription start date, nor be more than 20% lower than this average; the Board of Directors or the Chief Executive Officer may, where appropriate, decrease or eliminate the discount that may be applied to take into account, among other things, the legal and tax rules applicable outside France, or elect to fully or partially compensate for this maximum discount of 20% by awarding bonus shares and/or securities convertible into shares and that (ii) the issue price of securities convertible into shares will be determined in accordance with the terms set by Article L. 3332-21 of the French Labor Code;
4. resolves to remove, for the benefit of participants in the group's savings plan(s), the preemptive rights of shareholders to subscribe for shares or securities convertible into Company shares that may be issued under this delegation of authority, and to waive any rights to the shares and securities convertible into shares that may be awarded as bonus shares under this resolution;
5. delegates full powers to the Board of Directors, with the option of sub-delegation under the conditions provided for by law, particularly to:
 - decide whether the shares must be subscribed for directly by employees participating in the group's savings plans, through a company mutual fund (FCPE), or through an employee mutual fund (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 rules for participation in the group's Company Savings 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 by Article L. 3332-18 et seq. of the French Labor Code, bonus shares or securities convertible into shares, and set the type and amount of the reserves, profits or premiums to be capitalized,
 - approve the number of new shares to be issued, and the reduction rules applicable in the event of over-subscription,
 - deduct the costs of capital increases, and of issues of other securities convertible into shares, from the amount of the premiums relating to these increases, and appropriate from this amount the sums necessary to increase the legal reserve to one-tenth of the new share capital after each increase.

This delegation of authority has been granted for a period of twenty-six (26) months from the date of this Shareholders' Meeting.

This authorization supersedes the delegation of authority granted to the Board of Directors by the Shareholders' Meeting of May 3, 2018 in its eighteenth resolution.

TWENTY-SIXTH RESOLUTION

(Authority to be granted to the Board of Directors, for a period of 38 months, to award bonus shares to be issued or already issued to employees and/or executive corporate officers of the Company and related entities)

The Shareholders' Meeting, deliberating in accordance with the quorum and majority requirements 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, bonus shares in the Company to be issued or already issued to the employees or executive corporate officers of the Company and related French and foreign companies or intercompany partnerships, under the conditions set out in Article L. 225-197-2 of the French Commercial Code, or to certain categories of them;
- resolves that, notwithstanding 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 shares will vest to their beneficiaries either (i) at the end of a minimum one-year vesting period, after the beneficiaries have held the said shares for a minimum of one year from their vesting; or (ii) at the end of a minimum vesting period of two years, in this case with no minimum holding period. Bear in mind that the Board of Directors will be able to choose between these two possibilities and to apply them alternately or concurrently, and may, in the first case, extend the vesting and/or holding period and, in the second case, extend the vesting period and/or set a holding period.

Note, however, that the shares will vest 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 vesting of shares to corporate officer beneficiaries must be subject to the meeting of performance conditions defined by the Board of Directors;
- resolves that the vesting of shares to employee beneficiaries may be subject to the meeting of performance conditions defined by the Board of Directors;
- sets the validity period of this authorization at thirty-eight (38) months from the date of this Shareholders' Meeting;
- notes that if the award relates to shares to be issued, this authorization automatically entails, for the benefit of the bonus shares' beneficiaries, the waiving by shareholders of their preemptive subscription rights.

The Shareholders' Meeting grants full powers to the Board of Directors, in accordance with the applicable laws and regulations and the provisions of this resolution, to implement it, and particularly to:

- determine the performance conditions and, where appropriate, the share award criteria, and approve the list(s) of beneficiaries;
- set, subject to the aforementioned minimum period, the holding period for shares, bearing in mind that for shares awarded, where

appropriate, to the executive corporate officers referred to in Article L. 225-197-1, paragraph II, sub-paragraph 4 of the French Commercial Code, the Board of Directors must either decide that these shares may not be sold by the interested parties before they leave office, or to set the quantity of these shares that they will be obliged to hold in registered form until they leave office;

- decide, where appropriate, in the event of share capital transactions occurring during the vesting period of the shares awarded, whether to adjust the number of shares awarded in order to preserve the rights of beneficiaries and, if so, determine the rules for this adjustment;
- complete any formalities and, generally, do whatever is necessary.

This authorization terminates the authorization granted to the Board of Directors under the nineteenth resolution of the Shareholders' Meeting of May 3, 2018 to award existing bonus shares in the Company to employees and/or executive corporate officers.

TWENTY-SEVENTH RESOLUTION

(Setting of general delegation of authority ceilings at a nominal amount of (i) €2,270,000 for all capital increases through the issuing of shares or equity securities convertible into other equity securities or securities convertible into equity securities to be issued, (ii) €568,000 for capital increases through the issuing of shares or equity securities convertible into other equity securities or securities convertible into equity securities to be issued without preemptive subscription rights and (iii) €500,000,000 for issues of debt securities convertible into equity or debt securities; setting of specific ceilings for capital increases that may result in the awarding of bonus shares)

The Shareholders' Meeting, deliberating in accordance with the quorum and majority requirements for Extraordinary Shareholders' Meetings, after a reading of the report of the Board of Directors, decides, as follows, to set total limits on the amounts of the issues that may be decided on under the delegations of authority to the Board of Directors resulting from the previous resolutions:

- the total nominal ceiling for all capital increases through the issuing of shares or equity securities convertible into other equity securities or securities convertible into equity securities to be issued is set at a nominal amount (excluding the issue premium) of €2,270,000, plus the nominal amount of the capital increases to be carried out to preserve the rights of these securities' holders, in accordance with the law and, where appropriate, with the applicable contractual stipulations. In the event of a capital increase through the capitalization of premiums, reserves or profits, or in the form of an award of bonus shares, during the period of validity of the said delegations of authority, the aforementioned maximum nominal amount (excluding the issue premium) will be adjusted by applying a multiplying coefficient equal to the ratio between the number of shares making up the share capital after the transaction and the amount prior to the transaction;
- the total nominal ceiling for capital increases without preemptive subscription rights carried out under the nineteenth, twentieth, twenty-first, twenty-second, twenty-third and twenty-fourth resolutions submitted to this Shareholders' Meeting is set at a nominal

amount (excluding the issue premium) of €568,000 (deducted from the aforementioned total nominal ceiling for all capital increases of €2,270,000), plus the nominal amount of the capital increases to be carried out to preserve the rights of these securities' holders, in accordance with the law and, where appropriate, the applicable contractual stipulations. In the event of a capital increase through the capitalization of premiums, reserves or profits, or in the form of an award of bonus shares, during the period of validity of the said delegations of authority, the aforementioned maximum nominal amount (excluding the issue premium) will be adjusted by applying a multiplying coefficient equal to the ratio between the number of shares making up the share capital after the transaction and the amount prior to the transaction;

- the total maximum nominal amount of issues of securities representing claims against the Company convertible into shares or debt securities may not exceed €500,000,000 or the equivalent of this amount on that

day in any other currency or unit of account established by reference to several currencies;

- bearing in mind that the amount of the capital increases resulting, or that may result, from the delegation of authority granted by the seventeenth resolution is added to the ceilings referred to above.

Resolution submitted to the Ordinary Shareholders' Meeting

TWENTY-EIGHTH RESOLUTION

(Powers to complete formalities)

The Shareholders' Meeting grants full powers to the bearer of any originals, copies or extracts hereof to complete any legal formalities relating to the foregoing resolutions.

9.2. Report of the Board of Directors on Corporate Governance

1. Corporate Governance

See Section 3.1. “Members of the Company’s administrative and management bodies”

1.1. Corporate Governance Code

See Section 3.1.1.2.1. “Corporate Governance Code”

1.2. Operating rules of the Board of Directors

1.2.1. Provisions governing the membership of the Board of Directors

See Section 3.1.1.2.2. “Provisions governing the membership of the Board of Directors”

1.2.2. Other provisions of the bylaws and Internal Rules

See Section 3.1.1.2.3. “Other provisions of the bylaws and Internal Rules”

1.2.3. Duties of the Board of Directors

See Section 3.1.1.2.5. “Duties of the Board of Directors”

1.2.4. Duties and remit of the Lead Director

See Section 3.1.1.2.7. “Duties and remit of the Lead Director”

1.2.5. Board of Directors’ meetings and proceedings

See Section 3.1.1.2.4. “Board of Directors’ meetings and proceedings”

1.2.6. Independence of directors

See Section 3.1.1.2.8. “Independence of Directors”

1.2.7. Shares held by directors

See Section 3.1.1.1. “Membership of the Board of Directors” (Summary table) and 5.3.1. The Company’s shareholding structure at November 30, 2018 and changes over three years (Table “Kaufman & Broad SA shares held by directors at February 28, 2019”)

1.2.8. Operation of the Board of Directors

See Section 3.1.1.1. “Membership of the Board of Directors” and see Section 3.1.1.2.10. “Annual assessment of the Board of Directors” – 3.1.1.2.11 “Meetings of the Board of Directors in 2018” and 3.1.1.2.12 “Description of the diversity policy within the Board of Directors within the meaning of Article L. 225-37-4(6) of the French Commercial Code”

1.2.9. Directors’ fees

See Section 3.1.1.2.9. “Directors’ fees allocated to Board members” and see Section 3.2.1.1. “Compensation of members of the administrative bodies” (see Table 3, AMF definitions)

1.3. Special committees of the Board of Directors

1.3.1. Audit Committee (membership at November 30, 2018, duties, operation, compensation of members, meetings and work during the fiscal year ended November 30, 2018)

See Section 3.1.2.1. “Audit Committee” and 3.1.2.1.2 “Membership of the Audit Committee”, 3.1.2.1.3. “Duties of the Audit Committee”, 3.1.2.1.4. “Operation of the Audit Committee”, 3.1.2.1.7. “Audit Committee meetings in 2018”

1.3.2. Compensation and Nominating Committee (membership at November 30, 2018, duties, operation, compensation of members, meetings and work during the fiscal year ended November 30, 2018)

See Section 3.1.2.2. “Compensation and Nominating Committee” and 3.1.2.2.1. “Membership and duties” and 3.1.2.2.3. “Meetings of the Compensation and Nominating Committee in 2018”

1.3.3. Investment Committee

See Section 3.1.2.3. “Investment Committee” and 3.1.2.3.1. “Membership and duties”

1.4. Operating rules of the management bodies

See Section 3.1.1.2.6. “Duties and powers of the Chairman and Chief Executive Officer and the Deputy Chief Executive Officers”

2. Compensation of members of the management bodies

2.1. Principles and criteria for determining, distributing and awarding the fixed, variable and extraordinary components of the total compensation and benefits of any kind awardable to executive corporate officers

See Section 9.5. “Principles and criteria for determining, distributing and awarding the fixed, variable and extraordinary components of the total compensation and benefits of any kind awardable to executive corporate officers”

2.1.1. Principles and criteria for determining and distributing compensation to the executive corporate officer

See Section 9.5. I “Principles and criteria for determining and distributing compensation to the executive corporate officer”

2.1.2. Components of the compensation of the executive corporate officer

See Section 9.5. II “Components of the compensation of the executive corporate officer”

2.1.3. Summary table of the principles and criteria for determining, distributing and awarding the fixed, variable and extraordinary components of the total compensation and benefits of any kind awardable to the Chairman and Chief Executive Officer

See Section 9.5. III “Summary table of the principles and criteria for determining, distributing and awarding fixed, variable and extraordinary components of the total compensation and benefits of any kind awardable to the Chairman and Chief Executive Officer”

2.2. Compensation and benefits granted to corporate officers during the fiscal year ended November 30, 2018

See Section 3.2.7. “Components of the compensation due or awarded for the fiscal year ended November 30, 2018 to each executive corporate officer, subject to the vote of the shareholders” (see the table “Components of compensation”)

See Section 3.2.1.2.2. “Group compensation policy” (see “AMF Definitions” tables)

See Section 9.5. V. “Compensation and benefits granted to corporate officers during the fiscal year ended November 30, 2018”

3. Other information

3.1. Draft agenda and resolutions prepared by the Board of Directors that will be submitted to the Shareholders’ Meeting of May 2, 2019

See Section 9.1. “Agenda and Resolutions of the Shareholders’ Meeting of May 2, 2019”

3.2. Related party transactions

3.2.1. Agreements subject to Article L. 225-38 of the French Commercial Code

See Section 9.3.3. “Special report of the Statutory Auditors on regulated agreements and commitments”

3.2.2. Commitments authorized in accordance with Article L. 225-42-1 of the French Commercial Code

See Section 9.3.3. “Special report of the Statutory Auditors on regulated agreements and commitments”

3.3. Rules for attendance by shareholders at Shareholders’ Meetings

3.3.1. Calling and attendance of Shareholders’ Meetings

See Section 5.1.9. “Shareholders’ Meetings”

3.3.2. Exercising of voting rights, double voting rights and restrictions on voting rights

See Section 5.1.10. “Double voting rights”

3.4. Current delegations of authority and authorizations to increase the share capital granted by the Shareholders’ Meeting

3.4.1. Summary table of the currently valid delegations of authority to increase the share capital

See Section 10.4. “Summary table of the currently valid delegations of authority to increase the share capital”

3.5. Factors likely to have an impact in the event of a public offer

3.5.1. Capital structure

See Section 5.2.4. "Share capital"

3.5.2. The Company's shareholding structure at November 30, 2018 and changes over three years

See Section 5.3.1. "The Company's shareholding structure at November 30, 2017 and changes over three years" and 5.3.2. "Changes in the distribution of the share capital during the past three fiscal years"

3.5.3. Restrictions in the bylaws on the exercising of voting rights

See Section 5.1.11. "Disclosure thresholds"

3.5.4. Rights, privileges and restrictions attached to shares

See Section 5.1.10 "Double voting rights" and 5.2.2. "Rights, privileges and restrictions attached to shares"

3.5.5. Equity interests in the Company

See Section 5.3.4. "Group organization chart"

3.5.6. Shareholders' agreement

See Section 5.3.3.2. "Shareholders' agreement"

3.5.7. Powers of the Board of Directors to increase the share capital and buy back shares

See Section 5.2.3. "Purchase by the Company of its own shares" and 10.4 "Summary table of the currently valid delegations of authority to increase the share capital"

3.5.8. Change of control clauses

See Section 1.2.1.5.2. "Risks related to covenants in financing agreements"

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, 2018

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, 2018, 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 opinion

Audit guidelines

We conducted our audit in accordance with the 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 Auditors' responsibilities with regard to the auditing of the Consolidated Financial Statements" of this report.

Independence

We performed our audit in accordance with the applicable independence rules, over the period from December 1, 2017 to the issue date of our report, and we rendered no services prohibited by 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 misstatements 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 Consolidated Financial Statements as a whole and the formation of our opinion as expressed above. We offer no opinion on aspects of these Consolidated Financial Statements in isolation.

Assessment of the gross margin of the real estate development business and real estate inventories

Identified risk

At November 30, 2018, real estate inventories are recorded on the balance sheet in the amount of €396.8 million and the gross margin amounts to €300.0 million.

The accounting methods relating to the recognition of revenue, the gross margin and the 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 units as they are built. The revenue and gross margins of the real estate 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 estimates by the management, particularly for the valuation of margins at termination (cost price and selling price), as well as an assessment of the percentage of technical completion 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 real estate development business and real estate inventories to be a key point of the audit due to their significance in the group's financial statements and the judgment required to determine the estimates used to determine 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 the management to assess the results of real estate transactions (gross margin), as well as the valuation of real estate inventories.

We took 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 selling prices, land costs, construction costs and service fees for a sample 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 percentages of technical completion of the selected transactions were confirmed by the prime contractors in charge of the real estate operations. For these programs, we streamlined the percentages of sales progress by comparing the number of sales contracts signed against the amount of the sales budgeted for and we conducted detailed tests on sales by reconciling them with land deeds.

We assessed, based on a sample of completed and sold programs, the level of consistency of the margin rates actually achieved compared to those initially budgeted for.

- Regarding building programs not yet launched commercially and delivered programs with units still for sale:

Particular attention was paid to the assessment of programs not yet commercially launched and programs delivered with units still for sale. For the programs not yet launched commercially, we conducted a critical analysis of the outlook presented by the management. For programs delivered with unsold units, we compared the estimated selling prices of the lots in stock with the actual selling prices of the units sold and then critically analyzed the take-up outlook.

Specific audits

In accordance with the professional standards applicable in France, we also conducted the specific audits provided for by law and the regulations of the information about the group given in the Board of Directors' management report.

We have no matters to report concerning the fair presentation of this information and its consistency with the Consolidated Financial Statements.

We attest that the consolidated non-financial performance declaration provided for by Article L. 225-102-1 of the French Commercial Code is included in the management report, bearing in mind that, in accordance with the provisions of Article L. 823-10 of this Code, the information contained in this declaration was not checked by us for its fair presentation or consistency with the Consolidated Financial Statements and this must be reported on by an independent third-party organization.

Information arising from other legal and regulatory requirements

Appointment of the Statutory Auditors

The Shareholders' 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, 2018, Deloitte & Associates was in its twentieth uninterrupted year as Statutory Auditor, and Ernst & Young Audit was in its twenty-eighth year (including nineteen years since the Company's shares were admitted to trading on a regulated market).

Responsibilities of the management and members of the Corporate Governance bodies for the Consolidated Financial Statements

It is the management's responsibility to prepare Consolidated Financial Statements that present a true and fair picture in accordance with IFRS accounting principles as adopted in the European Union, and to put in place the internal control procedures that it considers necessary for the preparation of Consolidated Financial Statements that are free from material misstatements and omissions whether through fraud or error.

When preparing the Consolidated Financial Statements, it is the management's responsibility to assess the Company's ability to continue operating, to present the necessary information about business continuity in its financial statements, and to apply the going concern accounting convention, 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 appropriate, internal audits, with respect to procedures relating to the preparation and processing of accounting and financial information.

The Consolidated Financial Statements were prepared by the Board of Directors.

Statutory Auditors' responsibilities with regard to the auditing of the Consolidated Financial Statements

Audit purpose and approach

It is our responsibility to prepare a report on the Consolidated Financial Statements. Our objective is to obtain a reasonable assurance that the Consolidated Financial Statements taken as a whole do not contain any 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 if 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 Commercial Code, 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 the French professional accounting principles the Statutory Auditor exercises professional judgment throughout the audit. And additionally:

- identifies and assesses the risk that the Consolidated Financial Statements contain material misstatements, whether due to fraud or error, defines and implements audit procedures to handle such risks, and gathers the evidence that they consider adequate and appropriate on which to base their opinion. The risk of not detecting a material misstatement due to fraud is higher than for a material

misstatement due to error, as fraud may involve collusion, falsification, deliberate omissions, false statements, or evasion of internal control;

- learns about the internal control procedures as they relate to the audit, in order to define appropriate audit procedures in the circumstances, rather than express an opinion on the effectiveness of internal control;
- assesses the appropriateness of the accounting methods used and the reasonableness of the accounting estimates by the management, as well as the information about them provided in the Consolidated Financial Statements;
- assesses the appropriateness of the management company's application of the going concern accounting convention and, based on the information gathered, the existence or absence of significant uncertainty connected with events or circumstances that may call into question the Company's ability to continue its 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 the Company's business continuity into question. If the auditors conclude that significant uncertainty exists, they draw the attention of readers of their report to the information provided in the Consolidated Financial Statements relating to that uncertainty or, if this information is not provided or is not relevant, they issue a qualified certification or they refuse to certify;
- assesses the presentation of the Consolidated Financial Statements as a whole and whether they present a true and fair picture of underlying operations and events.
- regarding the financial information concerning the persons or entities included in the consolidation scope, the auditors collect information that they deem sufficient and appropriate to express an opinion on the Consolidated Financial Statements. The auditors are responsible for the management, supervision and conducting of the audit of the Consolidated Financial Statements as well as the opinion expressed on these financial statements.

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 report, where appropriate, the significant internal control weaknesses that we have identified with respect to the procedures relating to the preparation and processing of accounting and financial information.

Among the elements communicated in the report to the Audit Committee are the risks of material misstatements that we consider to have been the most important with regard to the audit of the Consolidated Financial Statements for the year, 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 declaration stipulated in Article 6 of Regulation (EU) 537-2014 confirming our independence within the meaning of the rules applicable in France as set particularly by Articles L. 822-10 to L. 822-14 of the French Commercial Code and the Statutory Auditors' Code of Professional Ethics. Where appropriate, we discuss the risks to our independence and the safeguards applied with the Audit Committee.

Paris La Défense, March 27, 2019

The Statutory Auditors

Deloitte & Associés
Bénédicte Sabadie

Ernst & Young Audit
Bruno Bizet

9.3.2. Report of the Statutory Auditors on the annual financial statements

Fiscal year ended November 30, 2018

To the Shareholders,

Opinion

In compliance with the assignment entrusted to us by your Shareholders' Meeting, we have audited the annual financial statements of Kaufman & Broad S.A. for the fiscal year ended November 30, 2018, as attached to this report.

We attest that the annual financial statements present fairly and accurately in all material respects the results of the operations for the fiscal year ended as well as the financial position and assets of the Company at year-end, in accordance with the 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 guidelines

We conducted our audit in accordance with the 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 Auditors' responsibilities with regard to the auditing of the annual financial statements" of this report.

Independence

We performed our audit in accordance with the applicable independence rules, over the period from December 1, 2017 to the issue date of our report, and we rendered no services prohibited by 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 misstatements 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 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

(Note 4.2.1.2. to the annual financial statements)

Identified risk

At November 30, 2018, the equity value of the investments in subsidiaries and affiliates amounted to €318.2 million, or 47% of the total assets. They are recognized at their acquisition date at their acquisition cost.

A provision for impairment is booked if the inventory value of the 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, the net asset value is determined in relation to the value in use of investments in subsidiaries and affiliates based on the percentage of each company's net equity held, 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 in use of investments in subsidiaries and affiliates taking into account the income forecasts for the real estate programs developed by subsidiaries requires the management to make assumptions and estimates. The valuation of investments in subsidiaries and affiliates is therefore considered a key point of our audit because of their importance in the annual financial statements, and the estimated nature of the data associated with determining them.

Our response

We examined the method for determining the value in use of subsidiaries and investigated the internal control procedures associated with them.

In a representative sample of these entities, we reconciled the equity adopted by the management in its assessments with the equity in the financial statements of the subsidiaries concerned, which were audited or analyzed.

Regarding the earnings forecasts and goodwill taken into account, our procedures mainly consisted of:

- analyzing the consistency of the data and budgetary assumptions used by the management to assess the results of real estate operations with the known historical data and development outlook, and in relation to the economic and financial environment of which Kaufman & Broad S.A.'s subsidiaries form a part;
- analyzing, with the help of our valuation specialists, the assumptions (business plan and discount rate) used by the management to value 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 shares of subsidiaries' profits and losses

(Note 4.2.1.6. to the annual financial statements)

Identified risk

At November 30, 2018, the net amount of the shares of subsidiaries' profits and losses recognized by your Company for the year came to €94.0 million and is presented under "Profits allocated and losses incurred" in the income statement. This net amount includes shares of losses amounting to €2.0 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 percentage-of-completion method for the recognition of revenues and the margin on real estate programs in their annual financial statements. The revenues and margin are recognized in proportion to the technical completion and the progress of sales for each program. The bylaws of these companies, incorporated 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 shares of subsidiaries' profits and loss was a key point of the audit due to its major significance in the annual financial statements and the judgment necessary to make the estimates used to determine the value of the gross margin for the subsidiaries' real estate activity.

Our response

We learn about the internal control procedures put in place for the valuation of the shares of subsidiaries' profits and losses.

For a representative sample of subsidiaries incorporated 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 stipulating the automatic transfer of profits to their partners at the close of the fiscal year;
- whether the results reported by the management are consistent with those in the financial statements of the relevant subsidiaries that we audited or analyzed;
- whether the holding percentage applied in the calculation is the same as 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.

Specific audits

We also performed the specific audits required by law, in accordance with the auditing standards applicable in France.

Information given in the management report and in the other documents addressed to the shareholders with respect to the financial position and the annual financial statements

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 annual financial statements.

We attest to the fair presentation and consistency with the annual financial statements of the information about payment terms referred to in Article D. 441 4 of the French Commercial Code.

We attest that the non-financial performance declaration provided for by Article L. 225-102-1 of the French Commercial Code is included in the management report, bearing in mind that, in accordance with the provisions of Article L. 823-10 of this Code, the information contained in this declaration was not checked by us for its fair presentation or consistency with the annual financial statements and an independent third-party organization must produce a report on this issue.

Corporate Governance report

We attest to the existence, in the report of the Board of Directors on Corporate Governance, of the information required by Articles L. 225-37-3 and L. 225-37-4 of the French Commercial Code.

With regard to the information provided pursuant to Article L. 225-37-3 of the French Commercial Code on the compensation and benefits paid to corporate officers, and the commitments made in their favor, we verified its consistency with the financial statements, or with the data used to prepare these financial statements, where appropriate, 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.

With regard to the information about the factors that your Company considered likely to have an impact in the event of a public purchase or exchange offer, provided in accordance with the provisions of Article L. 225 37 5 of the French Commercial Code, we checked their compliance with the documents from which it was taken that were transmitted to us. Based on this work, we have no matters to report concerning this information.

Other information

In accordance with the law, we checked that the various information relating to the identity of holders of shares or voting rights has been communicated to you in the management report.

Information arising from other legal and regulatory requirements

Appointment of the Statutory Auditors

The Shareholders' 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, 2018, Deloitte & Associates was in its twentieth uninterrupted year as Statutory Auditor, and Ernst & Young Audit was in its twenty-eighth year (including nineteen years since the Company's shares were admitted to trading on a regulated market).

Responsibilities of the management and members of the Corporate Governance for the annual financial statements

It is the management'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 the 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.

When preparing the annual financial statements, it is the management's responsibility to assess the Company's ability to continue operating, to present the necessary information about business continuity in its financial statements, and to apply the going concern accounting convention, 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 appropriate, 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 Auditors' responsibilities with regard to the auditing 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 a reasonable assurance that the annual financial statements taken as a whole do not contain any 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 if 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 Commercial Code, 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 the 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 evidence that they consider adequate and appropriate on which to base their opinion. The risk of not detecting a material misstatement due to fraud is higher than for a material misstatement due to error, as fraud may involve collusion, falsification, deliberate omissions, false statements, or evasion of internal control;
- learns about the internal control procedures as they relate to the audit, in order to define appropriate audit procedures in the circumstances rather than express an opinion on the effectiveness of internal control;
- assesses the appropriateness of the accounting methods used and the reasonableness of the accounting estimates by management, as well as the information about them provided in the annual financial statements;
- assesses the appropriateness of the management Company's application of the going concern accounting convention and, based on the information gathered, the existence or absence of significant uncertainty connected with events or circumstances that may call into question the Company's ability to continue its 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 the Company's business continuity into question. If the auditors conclude that significant uncertainty exists, they draw the attention of readers of their report to the information provided in the annual financial statements relating to that uncertainty or, if this information is not provided or is not relevant, they issue a qualified certification or they refuse to certify.
- assesses the presentation of the annual financial statements as a whole and whether they present a true and fair picture of underlying operations and 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 report, where appropriate, the significant internal control weaknesses that we have identified with respect to the procedures relating to the preparation and processing of accounting and financial information.

Among the elements communicated in the report to the Audit Committee are the risks of material misstatements that we consider to have been the most important with regard to the audit of the annual financial statements for the year, 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 declaration stipulated in Article 6 of Regulation (EU) 537-2014 confirming our independence within the meaning of the rules applicable in France as set particularly by Articles L. 822-10 to L. 822-14 of the French Commercial Code and the Statutory Auditors' Code of Professional Ethics. Where appropriate, we discuss the risks to our independence and the safeguards applied with the Audit Committee.

Paris La Défense, March 27, 2019

The Statutory Auditors

Deloitte & Associés
Bénédicte Sabadie

Ernst & Young Audit
Bruno Bizet

9.3.3. Special report of the Statutory Auditors on regulated agreements and commitments

Shareholders' Meeting approving the financial statements for the fiscal year ended November 30, 2018

To the Shareholders,

In our capacity as Statutory Auditors of your Company, we hereby report to you on regulated agreements and commitments.

The terms of our engagement require us to communicate to you, based on the information provided to us, the main terms and conditions and interest for your Company of the agreements and commitments brought to our attention or that we discovered in the course of our audit, without expressing an opinion on their usefulness or appropriateness or identifying such other agreements or commitments, if any. It is your responsibility, according to the terms of Article R. 225-31 of the French Commercial Code, to assess whether concluding these agreements and commitments is in your Company's interest 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.

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

Agreements and commitments authorized during the fiscal year ended

In accordance with Article L. 225-38 of the French Commercial Code, we were informed about the following agreements and commitments entered into during the fiscal year ended that were subject to the prior authorization of your Board of Directors.

Severance pay for the Chairman and Chief Executive Officer

In the event of his removal from office, for any reason other than gross negligence or willful misconduct, as defined in labor law by the Court of Cassation, your Company undertakes to compensate the Chief Executive Officer for the loss suffered due to his removal 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 the Company is taken over by one or more third parties acting in concert, triggering the obligation to launch a public offer of the Company's shares.

Regardless of the date and circumstances of his removal from office, the severance pay will only be payable if the Chief Executive Officer received, or should have received in the two fiscal years preceding the termination of his term of 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 objectives (determined for the first time on his appointment and subsequently at the start of each fiscal year).

This commitment was authorized by the Board of Directors on April 16, 2015 and approved by the Shareholders' Meeting on April 15, 2016.

This commitment was authorized by the Board of Directors on May 3, 2018 when Mr Hachemi's term of office as Chairman and Chief Executive Officer responsible for the Company's general management was renewed.

In accordance with the provisions of Article L. 225-42-1 of the French Commercial Code, the said commitment will be submitted to the Shareholders' Meeting of May 2, 2019 for approval.

Non-compete compensation of the Chief Executive Officer

In the event of Nordine Hachemi's departure, the latter will be bound by a non-compete and non-solicitation obligation for a period of 12 months following the termination of his term of office, unless this is waived or reduced by the group. In consideration, he will receive fixed gross monthly compensation equivalent to 50% of the average monthly fixed gross compensation that he received during the twelve months preceding the termination of his term of office; your Company will have the option of reducing this term or releasing the executive from this commitment, however.

This commitment was authorized by the Board of Directors on April 16, 2015 and approved by the Shareholders' Meeting on April 15, 2016.

This commitment was authorized by the Board of Directors on May 3, 2018 when Mr Hachemi's term of office as Chairman and Chief Executive Officer responsible for the Company's general management was renewed.

In accordance with the provisions of Article L. 225-42-1 of the French Commercial Code, the said commitment will be submitted to the Shareholders' Meeting for approval.

Defined-contribution retirement plans granted to the Chairman and Chief Executive Officer

Nordine Hachemi is entitled to the Company's supplemental executive retirement plan and a supplemental defined-contribution retirement plan under the same terms as the members of the Management Committee.

The maximum amount of the annual contributions is capped at 8% of his gross salary up to a maximum of eight times the Social Security ceiling. The Company paid €25,401.60 of contributions in 2018.

This commitment was authorized by the Board of Directors on April 16, 2015 and approved by the Shareholders' Meeting on April 15, 2016.

This commitment was authorized by the Board of Directors on May 3, 2018 when Mr Hachemi's term of office as Chairman and Chief Executive Officer responsible for the Company's general management was renewed.

Your Board's justification for these three commitments is as follows: These commitments meet the Kaufman & Broad group's need to ensure the expertise and services of a person highly qualified in the real estate development field.

In accordance with the provisions of Article L. 225-42-1 of the French Commercial Code, the said commitment will be submitted to the Shareholders' Meeting for approval.

Agreements and commitments previously approved by the Shareholders' Meeting**Agreements and commitments approved during previous fiscal years**

We have not been informed of any agreements or commitments already approved by the Shareholders' Meeting whose implementation continued during the fiscal year ended.

Neuilly-sur-Seine and Paris-La Défense, March 27, 2018

The Statutory Auditors

Deloitte & Associés
Bénédicte Sabadie

Ernst & Young Audit
Bruno Bizet

Report of one of the Statutory Auditors, acting as an appointed independent third-party organization, on the consolidated non-financial performance declaration included in the group management report

9.4. Report of one of the Statutory Auditors, acting as an appointed independent third-party organization, on the consolidated non-financial performance declaration included in the group management report

Fiscal year ended November 30, 2018

To the Shareholders,

In our capacity as a Statutory Auditor of Kaufman & Broad, acting as an appointed independent third-party organization, certified by COFRAC under number 3-1048 (certification scope available on the website www.cofrac.fr), we present you with our report on the consolidated non-financial performance declaration relating to the fiscal year ended November 30, 2018 (the "Declaration"), presented in the group management report in accordance with the legal and regulatory provisions of Articles L. 225-102-1, R. 225-105 and R. 225-105-1 of the French Commercial Code.

The Company's responsibilities

The Board of Directors is responsible for preparing a Declaration in accordance with the legal and regulatory provisions, including a presentation of the business model, a description of the main non-financial risks, a presentation of the policies applied with regard to these risks, and the results of these policies, including key performance indicators. The Declaration was prepared by applying the Company's procedures (the "Guidelines"), whose key information is presented in the Declaration and available on the website and on request from the Company's registered office.

Independence and quality control

Our independence is defined by the provisions of Article L. 822-11-3 of the French Commercial Code and the Code of Professional Ethics. In addition, we have implemented a system of quality control including documented policies and procedures aimed at ensuring compliance with ethical requirements, professional guidelines and the applicable laws and regulations.

Responsibilities of the Statutory Auditor acting as an appointed independent third-party organization

It is our responsibility, based on our work, to formulate a substantiated opinion expressing a conclusion of moderate assurance on:

- the compliance of the Declaration with the provisions of Article R. 225-105 of the French Commercial Code;
- the fair presentation of the information provided in accordance with point 3, paragraph I and II of Article R. 225-105 of the French Commercial Code, namely the results of the policies, including key performance indicators, and actions, relating to the main risks (the "Information").

It is our responsibility, however, to express an opinion on:

- compliance by the Company with the other applicable legal and regulatory provisions, particularly with regard to the fight against corruption and taxation;
- compliance of the products and services with the applicable regulations.

Nature and scope of our work

Our work described below was carried out in accordance with the provisions of Articles A. 225 1 et seq. of the French Commercial Code determining the terms and conditions under which independent third-party organizations perform their duties, in accordance with the professional guidelines of the *Compagnie Nationale des Commissaires aux Comptes* relating to audits and international standard ISAE 3000 (Assurance engagements other than audits or reviews of historical financial information).

We carried out work enabling us to assess the Declaration's compliance with the regulatory provisions and the fair presentation of the Information:

- we reviewed the activity of all of the companies included in the consolidation scope, the presentation of the main corporate and environmental risks linked to this activity, and its effects with regard to respect for human rights and the fight against corruption and tax avoidance, and the related policies and their results;
- we assessed the suitability of the Guidelines in terms of their relevance, completeness, reliability, neutrality and understandability, taking into account industry best practices, where appropriate;
- we checked that the Declaration covers each category of information provided for in paragraph III of Article L. 225-102-1 in the corporate and environmental areas and respect for human rights and the fight against corruption and tax avoidance;

ADDITIONAL INFORMATION

Report of one of the Statutory Auditors, acting as an appointed independent third-party organization, on the consolidated non-financial performance declaration included in the group management report

- we checked that the Declaration contains an explanation of the reasons justifying the absence of the information required by the 2nd sub-paragraph, paragraph III of Article L. 225-102-1;
- we checked that the Declaration presents the business model and main risks linked to the activity of all of the entities included in the consolidation scope, including, if this proves to be relevant and proportionate, the risks created by its business relationships, products or services, and the related policies, actions and results, including key performance indicators;
- we checked that the Declaration presents the information provided for in paragraph II of Article R. 225-105, where it was relevant to the main risks or policies presented;
- we assessed the main risk selection and validation process;
- we inquired as to the existence of internal control and risk management procedures introduced by the Company;
- we assessed the consistency of the results and the key performance indicators adopted given the main risks and policies presented;
- we checked that the Declaration covers the consolidated scope, namely all of the companies included in the consolidation scope in accordance with Article L. 233-16, in line with the limits stated in the Declaration;
- we assessed the data collection process introduced by the entity aimed at ensuring comprehensiveness and fair presentation of the Information;
- we implemented, for the key performance indicators and the other quantitative results ⁽¹⁾ that we considered the most important:
 - analytical procedures consisting of checking the correct consolidation of the data collected and the consistency of the changes in these data,
 - detailed tests using sampling techniques, consisting of checking the correct application of the definitions and procedures and reconciling the data with the supporting documents. This work was carried out at consolidating entity level and covers all of the consolidated data for the key performance indicators and results selected for these tests,
- we consulted the documentary sources and carried out interviews to corroborate the qualitative information (actions and results) that we considered the most important ⁽²⁾,
- we assessed the overall consistency of the Declaration with our knowledge of the Company.

We believe that the work that we carried out based on our professional judgment is 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.

Means and resources

Our work drew on the expertise of five people in January and February 2019.

We called upon our sustainable development and corporate social responsibility specialists to assist us with our work. We conducted a dozen or so interviews with the people responsible for preparing the Declaration.

Conclusion

Based on the work performed, we found no material misstatements that caused us to doubt that the non-financial performance declaration is compliant with the applicable regulatory provisions and that the Information, taken as a whole, is presented fairly in accordance with the Guidelines.

Paris-La Défense, March 27, 2019

One of the Statutory Auditors,

Deloitte & Associés

Bénédicte Sabadie

Partner

Julien Rivals

Partner, Sustainable Development

(1) Workforce, Number of new hires and departures, Rotation rate, Rate of absenteeism per reason, Number of employees trained, Number of workplace and commuting accidents recorded, Number of days of absence following work stoppages for workplace or commuting accidents, Agency electricity consumption, Electricity consumption on construction sites and Degree of the group's dependence on suppliers.

(2) Limiting of nuisances caused by contraction sites and introducing of discussions regarding projects, Prevention of undeclared work and Fight against corruption.

Principles and criteria for determining, distributing and awarding the fixed, variable and extraordinary components of the total compensation and benefits of any kind awardable to executive corporate officers

9.5. Principles and criteria for determining, distributing and awarding the fixed, variable and extraordinary components of the total compensation and benefits of any kind awardable to executive corporate officers

The information presented below constitutes the compensation policy for Kaufman & Broad S.A.'s (the "Company") executive corporate officers and describes the principles and criteria for determining, distributing and awarding the fixed, variable and extraordinary components of the total compensation and benefits of any kind awardable, by reason of their office, to executive corporate officers.

In accordance with the provisions of Article L. 225-37-2 of the French Commercial Code, the principles and criteria presented below will be submitted to the Shareholders' Meeting of May 2, 2019 for approval. Note that the most recent annual approval of the compensation policy for Kaufman & Broad S.A.'s executive corporate officers took place at the Combined Shareholders' Meeting of May 2, 2018.

I. Principles and criteria for determining and distributing compensation to the executive corporate officer

The Company has introduced 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, but is nonetheless limited to a maximum level to avoid excessive risk taking. This variable portion is based on annual or even biennial criteria, so that performance assessment is not just short term. This variable portion is also supplemented by a universal award of bonus shares, which gives all group employees a stake in 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 Agency Directors, are also awarded bonus shares, in addition to their variable compensation, whose final vesting is subject to performance conditions, in accordance with the principles of good governance.

As such, 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 at the time of this transaction. At November 30, 2018, the group's employees held about 13% of the Company's shares, becoming its leading shareholders, through this company consisting of 125 Company executives and employees, through the group Savings Plan and in an individual capacity. This setup guarantees an alignment of long-term interest between the Company's shareholders and management, the Chairman and CEO directly or indirectly owning approximately 2.8% of Kaufman & Broad SA's shares.

Recognition of a lasting, sustainable and collective performance is in line with the philosophy governing the compensation policy for the executive corporate officer that is presented in this information.

The compensation policy of the executive corporate officer, 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 it was reviewed and an opinion issued by the Compensation and Nominating Committee. The Board of Directors applies the recommendations of the AFEP-MEDEF Code, amended in June 2018, on the compensation of the executive corporate officers of listed companies. As such, the Board of Directors sets the principles for determining the compensation of the Chairman and Chief Executive Officer, paying particular attention to compliance with the following principles:

- principle of balance and moderation: steps are taken to ensure that each component of the Chairman and Chief Executive Officer's compensation is clearly justified and none is disproportionate.
- principle of competitiveness: steps are taken to ensure that the Chairman and Chief Executive Officer's compensation is competitive compared with compensation surveys for the sector.
- principle of alignment of interests: the compensation policy is a management tool intended to attract, motivate and retain the talent necessary to the Company. At the same time, it addresses the expectations of shareholders and other stakeholders in the Company, particularly regarding performance.
- performance principle: the Chairman and Chief Executive Officer's compensation is closely linked to the Company's performance, particularly 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 group's sustainability, and whose impact may be measured over a period (i) of one year (changes in revenue, EBITDA, attributable net income and WCR) and (ii) of two years (number of orders and number of units approved by the Commitment Committee).

The Chairman and Chief Executive Officer's compensation includes a fixed and a variable portion based on a number of objectives determined on an annual basis. At the end of each fiscal year, the Board of Directors, acting on the recommendation of the Compensation and Nominating Committee, sets the amount of his gross annual fixed compensation for the following year, as well as the ceiling for his annual variable compensation for that year, and the quantitative criteria based on which this will be calculated. At the beginning of each fiscal year, the Board of Directors, acting

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Principles and criteria for determining, distributing and awarding the fixed, variable and extraordinary components of the total compensation and benefits of any kind awardable to executive corporate officers

on the recommendation of the Compensation and Nominating Committee, determines the amount of his annual variable compensation due for the previous fiscal year based on that year's results and the achievement of his quantitative and qualitative objectives, and sets the objectives for the qualitative portion of his annual variable compensation for the current fiscal year.

Furthermore, in order to give the Chairman and Chief Executive Officer a stake in the Company's 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 finally awarded 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 paragraphs II.2. (b) and II. 3. below).

Note that the Board of Directors, meeting on 29, 2018 and acting on the recommendation of the Compensation and Nominating Committee meeting the same day, set the quantitative portion of the variable compensation due to the Chairman and Chief Executive Officer for the fiscal year ended November 30, 2018 at €540,398, i.e. 110% of the target, and the qualitative portion of this remuneration at 120% of the target, i.e. €252,000 (a rounded total of €793,000), after reviewing the Company's results and the Chairman and Chief Executive Officer qualitative results for the fiscal year ended November 30, 2018.

For the quantitative portion, representing 70% of the variable compensation, the Board of Directors therefore noted an entitlement to variable compensation according to the grid below:

Objective	Weighting	Achievement of the objective (as a % of the objective) during the fiscal year ended November 30, 2018	Bonus award (as a % of the target)
EBITDA	15%	114.78%	120%
Revenue	10%	102.52%	102.52%
Attributable net income	15%	109.84%	115%
WCR	10%	118.88%	120%
Number of housing unit orders	10%	99.49%	99.49%
Number of units approved by the Commitment Committee	10%	97.49%	97%

As over 100% of the quantitative portion's objectives were achieved, the Chairman and Chief Executive Officer earned a bonus of 110% of the amount of the quantitative portion of the target, i.e. €540,398.

For the qualitative portion, representing 30% of the 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. These objectives concerned management of the group's teams, the quality of the social climate within the Company, control of operating expenses (including payroll), return on capital employed, adaptation of the Company to technological developments and good risk management.

Furthermore, the Board of Directors, acting on the recommendation of the Compensation and Nominating Committee, recorded the achievement of the performance conditions applicable to the 15,000 performance shares awarded to the Chairman and Chief Executive Officer by the Board of Directors at its meeting of March 7, 2018, namely the achievement of the qualitative and quantitative criteria, as set out above with respect to the variable cash compensation paid for the fiscal year ended November 30, 2018.

Note that, in accordance with the provisions of Article L. 225-100 of the French Commercial Code, the variable compensation described above is subject to an affirmative vote by the Combined Shareholders' Meeting to be held on May 2, 2019.

For the fiscal year ending November 30, 2019, the Compensation and Nominating Committee proposed, to the Board of Directors' meeting on February 21, 2019, keeping the same compensation policy as was approved by more than 90% of the votes by the Shareholders' Meeting of May 3, 2018.

Note that, to more strongly emphasize the alignment between the Chairman and Chief Executive Officer's compensation and shareholders' interests, the Board of Directors proposed the renewal for 2019 of the long-term plan introduced in 2018 and approved by the Shareholders' Meeting of May 3, 2018 (see paragraph II.3 below).

II. Components of the executive corporate officer's compensation

The executive corporate officer's compensation is made up of fixed and variable components, plus long-term compensation.

1. Fixed compensation

The Board of Directors, acting on the recommendation of the Compensation and Nominating Committee, determines the Chairman and Chief Executive Officer's fixed annual compensation based on a detailed study of the fixed and variable compensation of the 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 February 21, 2019 at €600,000 for 2019, unchanged from 2018.

Principles and criteria for determining, distributing and awarding the fixed, variable and extraordinary components of the total compensation and benefits of any kind awardable to executive corporate officers

2. Variable compensation

The executive corporate officer's variable compensation includes (i) a target and maximum annual variable portion, paid in cash, and (ii) a deferred annual portion in the form of bonus share awards subject to performance conditions.

a) Target annual variable portion and maximum variable portion in cash

The Board of Directors, acting on the recommendation of the Compensation and Nominating Committee, determines the Chairman and Chief Executive Officer's variable annual compensation based on quantitative and qualitative criteria. At its meeting of February 21, 2019, the Board of Directors set the maximum annual variable portion of the Chairman and Chief Executive Officer's compensation for 2019 at €700,000 gross (unchanged from 2018, i.e. 117% of his fixed annual compensation), provided that his 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 in January 2020.

A total of 70% of the variable portion of this compensation will be calculated based on quantitative factors and 30% based on qualitative factors, each of which has an assigned weighting.

In accordance with the provisions of Article L. 225-100 of the French Commercial Code, this variable compensation is subject to an affirmative vote by the Ordinary Shareholders' Meeting that will vote in 2020 on the financial statements for the fiscal year ended November 30, 2019.

- Quantitative criteria:

These are based on the indicators that the Board of Directors, acting on the recommendation of the Compensation and Nominating Committee, deemed the most relevant for assessing the financial performance of the group. For 2019, the quantitative criteria represent 70% of variable compensation, of which 10% is linked to revenue, 15% to EBITDA, 15% to attributable net income, 10% to WCR, 10% to annual housing orders and 10% to the number of units approved by the Commitment Committee for 2019 (the last two indicators reflect the group's medium-term business outlook).

- Qualitative criteria:

Non-financial criteria, which represent 30% of variable compensation for 2019, 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 annual variable portion in the form of performance shares

The nineteenth resolution of the Shareholders' Meeting of May 3, 2018 authorized the Board of Directors to award bonus shares to members of staff or executive corporate officers, on one or more occasions, up to a total of 250,000 shares, including 50,000 shares to the executive corporate officer.

After taking into account the awards made during the fiscal year 2018, 240,000 shares may be awarded under the aforementioned nineteenth resolution, including a maximum of 40,000 shares to the executive corporate officer.

The Board of Directors, at its meeting of February 21, 2019, made use of the authorization granted by this resolution, awarding 15,000 performance shares to the Chairman and Chief Executive Officer for 2019, provided that he is still in office when they are fully vested in 2021.

Based on the valuation work carried out by Riskedge at the request of the Company, and the price of the Company's shares on February 21, 2019, the benefit corresponding to the 15,000 performance shares whose awarding to the Chairman and Chief Executive Officer is being considered in respect of his deferred annual variable compensation, is estimated at approximately €390,947.

The final awarding of performance shares to the corporate officer would be subject to the same performance conditions as those provided for with regard to the annual variable cash compensation set out in paragraph II.2 (a) above.

If these performance conditions were met, the Chairman and Chief Executive Officer would therefore be entitled to an award of performance shares in respect of deferred annual variable compensation, in the same ratio and the same proportions as for the annual variable cash compensation. In the event of 100% achievement of the performance conditions, the maximum number of awardable 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%.

Note that, in accordance with the provisions of Article L. 225-100 of the French Commercial Code, the final awarding of performance shares in respect of this deferred variable compensation is subject to an affirmative vote by the Ordinary Shareholders' Meeting that will vote in 2020 on the financial statements for the fiscal year ended November 30, 2019.

3. Long-term compensation

a) Performance conditions applicable to the long-term compensation plan introduced in 2018

Note that, in 2018, the Board of Directors introduced long-term compensation for the Chairman and Chief Executive Officer based on the awarding of 10,000 bonus shares to the latter, with a vesting period of three years and a holding period of one year.

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The Board also decided that the vesting of these shares must be subject to long-term performance conditions assessed over the period 2018-2020 (3 fiscal years), including CSR performance, customer satisfaction, the level of employee ownership of the Company's shares and the TSR (Total Shareholder Return or rate of return for shareholders). The relative weight of these four conditions is 15% for CSR performance, 17.5% for customer satisfaction, 17.5% for employee share ownership and 50% for the TSR.

b) Renewal of the long-term compensation plan introduced in 2018

At its meeting of February 21, 2019, the Board of Directors awarded 10,000 performance shares to the Chairman and Chief Executive Officer, under the nineteenth resolution approved by the Combined Shareholders' Meeting of May 3, 2018, in respect of the renewal of the long-term compensation plan introduced in 2018.

Moreover, the performance conditions for the next three fiscal years (2019-2021) were reviewed by the Board of Directors, acting on the recommendation of the Compensation and Nominating Committee, after which it was decided to use the Property and Service Quality composite index ⁽¹⁾ instead of the Customer Satisfaction composite index, as it covers a wider range of the services performed by Kaufman & Broad for its customers. This index will therefore still be composed of indicators taken from the BVA satisfaction questionnaire, which was used for the purposes of the former criterion linked to customer satisfaction, but will also be supplemented to bring it more into line with the Company's activity.

The vesting of these shares is subject to the following conditions:

- the shares will only be fully vested after a period of three years, i.e. in 2022, and must then be held for a period of one year by the Chairman and Chief Executive Officer;
- long-term performance conditions assessed over the period 2019-2021 (3 fiscal years), including CSR performance, property and service quality, the level of employee ownership of the Company's shares and the TSR (Total Shareholder Return or rate of return for shareholders). The relative weight of these four conditions is 15% for CSR performance, 17.5% for property and service quality, 17.5% for employee share ownership and 50% for the TSR.

- The condition related to CSR performance is as follows:

- being one of the top 70 companies in the GAIA index ⁽²⁾, consisting of 230 companies, for three years,
- obtaining a minimum rating of 50 from Vigeo ⁽³⁾ beginning in 2019,
- obtaining a B rating in the CDP ⁽⁴⁾ index by 2020.

Each of the criteria will represent 5% of the total number of performance shares to be awarded.

- The condition related to Property and Service Quality is as follows:

Obtaining the following scores (out of 100) for the Property and Service Quality measurement composite index based on the annual BVA survey conducted by the Company:

- 65/100 in 2019,
- 66/100 in 2020,
- 67/100 in 2021.

At the end of each of the three years, note will be made of whether the objective has been 100% achieved, in which case 1/3 of the 17.5% of the awardable performance shares will be vested. Otherwise, no award will be made.

- The condition related to the level of employee share ownership would be as follows:

Maintaining an employee share ownership level of at least 12% of the Company's shares (excluding specific financial transactions) through Artimus Participations, through the Company Savings Plan and in an individual capacity.

- The TSR condition would be met in stages, at the following levels and thresholds:

- if the TSR performance of the Company is strictly less than or less than 100% of the TSR performance of the SBF 120 after three years,
- from 75% to 100%, by linear interpolation, if the TSR performance of the Company is between 100% and 110% of the TSR performance of the SBF 120 after three years,
- 100% if the TSR performance of the Company is greater than 110% of the TSR performance of the SBF 120 after three years.

(1) This index is composed of 10 indicators, each of which is scored out of 10. Eight relate to the level of Satisfaction (with KB, with regard to properties, agents receiving orders, the handling of requests for buyer modification works, customer spaces, viewings to check compliance with plans, appointments to hand over keys and support after key handovers) and two to Recommendations and Cleanliness of Housing Units on delivery.

(2) The GAIA index analyzes the data of a panel of companies each year and assesses their commitment to sustainable development.

(3) Vigeo is an agency analyzing companies according to environmental, social and governance criteria.

(4) 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.

Principles and criteria for determining, distributing and awarding the fixed, variable and extraordinary components of the total compensation and benefits of any kind awardable to executive corporate officers

The table below summarizes the calculation and weighting rules applied to the various long-term performance criteria:

Criteria	Scale	Objectives	Calculation rules	% of performance shares awarded
CSR	15%	• staying in the top 70 companies in the GAIA index (230 companies) for 3 years	5%	100% otherwise 0
		• obtaining a minimum rating of 50 from Vigeo beginning in 2019	5%	100% otherwise 0
		• obtaining a B rating in the CDP (Carbon Disclosure Project) index by 2020	5%	100% otherwise 0
Property and Service Quality	17.5%	• obtaining the following score for each of the next 3 fiscal years:		
		2019: 65/100	1/3	100% otherwise 0
		2020: 66/100	1/3	100% otherwise 0
		2021: 67/100	1/3	100% otherwise 0
Level of employee share ownership	17.5%	Maintaining the employee share ownership at a level of at least 12%		100% otherwise 0
TSR	50%	TSR performance of the Company assessed in relation to the TSR performance of the SBF 120	TSR strictly less than or less than 100%	0
			TSR between 100% and 110%	From 75% to 100%, by linear interpolation
			TSR greater than 110%	100%

Based on the valuation work carried out by Riskedge at the request of the Company, and the price of the Company's shares on February 21, 2019, the benefit corresponding to the 10,000 performance shares whose awarding to the Chairman and Chief Executive Officer is being considered in respect of his 2019-2021 long-term compensation is estimated at approximately €164,285.

The maximum total compensation that may be awarded to the Chairman and Chief Executive Officer for his performance in the fiscal year 2019, including:

- his fixed compensation (€600,000);
- his variable cash compensation (maximum of €840,000);
- his deferred variable compensation (15,000 shares estimated at around €390,947).

therefore amounts to around €1,830,950, i.e. 33% fixed compensation and 67% variable compensation, of which 68% paid in cash and 32% paid in the form of performance shares, in line with market practices.

He will also benefit from long-term compensation (based on the awarding of 10,000 performance shares estimated at around €164,285) subject to performance conditions assessed over the long term (period 2019-2021) and a presence condition.

Furthermore, the total number of performance shares awarded in 2019, in respect of the deferred variable portion, i.e. 25,000 shares, represents approximately 0.10% of the Company's shares, in line with market practices. As such, this award will have no dilutive effect, being carried out by means of existing shares that are owned by the Company.

4. Benefits in kind

The benefits in kind consist of a company car and are estimated at €1,700 monthly for the fiscal year ended November 30, 2018.

5. Retirement plan

The Chairman and Chief Executive Officer benefits from a supplemental defined-contribution retirement plan, as stipulated by Article 83 of the French General Tax Code; the Company paid contributions of €25,401.60 on behalf of the Chairman and Chief Executive Officer for the calendar year 2018. This corresponds to the annual contributions capped at 8% of his gross salary, up to a maximum of eight times the Social Security ceiling.

Principles and criteria for determining, distributing and awarding the fixed, variable and extraordinary components of the total compensation and benefits of any kind awardable to executive corporate officers

6. Severance pay and non-compete compensation

The Chairman and Chief Executive Officer's severance pay will be equal to 12 months' gross fixed and variable compensation for the fiscal year ended, extended to 18 months if the Company is taken over by one or more third parties acting in concert, triggering the obligation to launch a public offer of the Company's shares. Regardless of the date and circumstances of his removal from office, the severance pay will only be payable if the Chief Executive Officer received, or should have received in the two fiscal years preceding the termination of his term of 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 Chairman and Chief Executive Officer's non-compete clause applies for a period of twelve months and covers the whole of France. In consideration, he receives fixed monthly gross compensation equal to 50% of the average monthly gross fixed compensation that he received during the twelve months preceding the termination of his term of office (or the length of this term, if this is shorter). The Company will have the option of reducing this period or releasing the Chairman and Chief Executive Officer from this commitment, however.

III. Summary table of the principles and criteria for determining, distributing and awarding the fixed, variable and extraordinary components of the total compensation and benefits of any kind awardable 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 in twelve monthly installments.	The gross annual amount is set at €600,000 for the fiscal year 2019.
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 fiscal year following that for which the performance was recorded. In accordance with the provisions of Article L. 225-37-2 of the French Commercial Code, this variable compensation is subject to the approval, by an Ordinary Shareholders' Meeting, of the components of the Chairman and Chief Executive Officer's compensation, under the conditions provided for by Article L. 225-100 of the French Commercial Code.	The annual variable portion of the Chairman and Chief Executive Officer's compensation is €700,000 gross if his 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 revenue, 15% to EBITDA, 15% to attributable net income, 15% to WCR, 10% to annual housing orders, 10% to the number of units approved by the Commitment Committee for 2019 and 30% linked to qualitative objectives, as presented above. This variable monetary portion is combined with a variable portion paid in the form of bonus share awards (15,000), subject to the achievement of the performance criteria described above and a vesting period of 2 years.
Long-term compensation	In 2018, the Board of Directors proposed the introduction of long-term compensation for the Chairman and Chief Executive Officer based on an award of 10,000 bonus shares.	The final awarding of these shares is subject to the achievement of the objectives described in paragraph (iii) above and a vesting period of 3 years.
Retirement plan	The Chairman and Chief Executive Officer benefits from a supplemental defined-contribution retirement plan; the Company paid contributions of €25,401.60 on behalf of the Chairman and Chief Executive Officer in 2018.	The plan is described in paragraph (v) above.
Severance pay and non-compete compensation	The Chairman and Chief Executive Officer benefits from a commitment by the Company to pay severance pay if the Board decides to terminate his term of office and compensation in consideration for his non-compete commitment.	The severance pay and non-compete compensation are described in paragraph (vi) above.
Benefits in kind	The benefits in kind consist of a company car and are estimated at €1,700 monthly for the fiscal year ended November 30, 2018.	Not applicable

Principles and criteria for determining, distributing and awarding the fixed, variable and extraordinary components of the total compensation and benefits of any kind awardable to executive corporate officers

IV. Draft resolution prepared by the Board of Directors in accordance with Article L. 25-100 of the French Commercial Code submitted to the Combined Shareholders' Meeting of May 2, 2019

TENTH RESOLUTION

(Approval of the principles and criteria for determining, distributing and awarding the fixed, variable and extraordinary components of the total compensation and benefits of any kind awardable to the Company's Chairman and Chief Executive Officer)

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 on Corporate Governance prepared in accordance with Articles L. 225-37, L. 225-37-2 and R. 225-29-1 of the French Commercial Code, approves the principles and criteria for determining, distributing and awarding the fixed, variable and extraordinary components of the total compensation and benefits of any kind awardable, by reason of his office, to the Company's Chairman and Chief Executive Officer, as presented in Section 2.1. of the aforementioned report, included in Section 9.5. of the Company's 2018 Registration Document.

V. Compensation and benefits granted to corporate officers during the fiscal year ended November 30, 2018

In accordance with Article L. 225-100 of the French Commercial Code, the Annual Shareholders' Meeting votes on the fixed, variable and extraordinary components of the total compensation and benefits of any kind paid or awarded for the previous fiscal year, in line with the compensation principles and criteria approved by the Combined Shareholders' Meeting of May 3, 2018.

The Combined Shareholders' Meeting of May 2, 2019 will therefore be asked to vote on the components of compensation paid or awarded for the fiscal year ended November 30, 2018 to the Chairman and Chief Executive Officer, as set out below.

Components of compensation paid or awarded to Nordine Hachemi, Chairman and Chief Executive Officer, for the fiscal year ended November 30, 2018

Components of compensation	Book amounts or value put to a vote	Comments
Fixed compensation	€600,000	-
Variable compensation	€793,000	Amount approved by the Board of Directors on January 29, 2019
Multi-year variable compensation	-	-
Directors' fees	None	-
Extraordinary compensation	None	-
Award of stock options, stock warrants or bonus shares	€517,491	
2018 Plan (1 st Plan)	€517,491	15,000 bonus shares ⁽¹⁾
Compensation on entering or leaving office	None	-
Supplemental retirement plan	€25,401.60	Annual contributions capped at 8% of gross salary up to a maximum of eight times the Social Security ceiling
Benefits of any kind	€32,878	Unemployment insurance

(1) On March 7, 2018, the Board of Directors awarded 15,000 performance shares to the Chairman and Chief Executive Officer for 2018, provided that he is still in office when they fully vest in 2020. The final awarding of the shares is subject to the same performance conditions as those set for his annual variable cash compensation, namely:

- the meeting of quantitative criteria reflecting short-term performance, such as revenue, EBITDA, attributable net income and the WCR, as well as future performance, such as the number of housing units ordered and the number of units approved by the Commitment Committee.
- the meeting of qualitative criteria composed of criteria linked to team management, the quality of the social climate within the Company, control of operating expenses (including payroll), return on capital employed, adaptation of the Company to technological developments and good risk management.

On January 29, 2019, the Board of Directors noted the achievement of the performance conditions applicable to the 15,000 performance shares

ADDITIONAL INFORMATION

Principles and criteria for determining, distributing and awarding the fixed, variable and extraordinary components of the total compensation and benefits of any kind awardable to executive corporate officers

Table 1 AMF Definitions

Summary table of the compensation and stock options and shares awarded to each executive corporate officer

(amounts in €)

Nordine Hachemi Chairman and Chief Executive Officer	Fiscal year ended November 30, 2018	Fiscal year ended November 30, 2017
Compensation for the fiscal year (detailed in Table 2)	1,425,878	1,442,453
Value of the multi-year variable compensation paid during the fiscal year		—
Value of the options awarded during the fiscal year (detailed in Table 4)		—
Value of the bonus shares awarded during the fiscal year (detailed in Table 6)	517,491 ⁽¹⁾	509,799
TOTAL	1,943,369	1,952,252

(1) On March 7, 2018, the Board of Directors awarded 15,000 performance shares to the Chairman and Chief Executive Officer for 2018, provided that he is still in office when they fully vest in 2020. The final awarding of the shares is subject to the same performance conditions as those set for his annual variable cash compensation. On January 29, 2019, the Board of Directors noted the achievement of the performance conditions applicable to the 15,000 performance shares

Table 2 AMF Definitions

Table summarizing the compensation paid to each executive corporate officer (amounts in €)

Nordine Hachemi Chairman and Chief Executive Officer	Fiscal year ended November 30, 2018		Fiscal year ended November 30, 2017	
	Amounts due	Amounts paid	Amounts due	Amounts paid
Fixed compensation	600,000 ⁽¹⁾	600,000	600,000	600,000
Annual variable compensation	793,000 ⁽⁴⁾	810,000 ⁽³⁾	810,000 ⁽³⁾	795,841 ⁽²⁾
Multi-year variable compensation	—	—	—	—
Extraordinary compensation	—	—	—	—
Directors' fees	—	—	—	—
Benefits in kind	32,878	32,878	32,453	32,453
TOTAL	1,425,878	1,442,878	1,442,453	1,428,294

(1) The fixed compensation amount was approved by the Board of Directors on January 29, 2019.

(2) The variable compensation for the fiscal year 2016 was approved by the Board of Directors on January 26, 2017 and paid in January 2017.

(3) The variable compensation for the fiscal year 2017 was approved by the Board of Directors on January 29, 2018 and paid in February 2018.

(4) The variable compensation for the fiscal year 2017 was approved by the Board of Directors on January 29, 2019.

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, 2018

Name of executive corporate officer	No. and date of plan	Type of options (stock option or warrant)	Value of the options according to 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, 2018 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	—

Principles and criteria for determining, distributing and awarding the fixed, variable and extraordinary components of the total compensation and benefits of any kind awardable to executive corporate officers

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	Value of the shares according to the method used for the Consolidated Financial Statements	Vesting date	Date available
Nordine Hachemi						
2018 Plan (1 st Plan) ^(a)	March 7, 2018	15,000	42.84	517,491	March 7, 2020	March 7, 2022
2018 Plan (2 nd Plan) ^(b)	May 3, 2018	10,000	43.80	236,010	May 3, 2021	May 3, 2022

(a) On March 7, 2018, the Board of Directors awarded 15,000 performance shares to the Chairman and Chief Executive Officer for 2018, provided that he is still in office when they fully vest in 2020. The final awarding of the shares is subject to the same performance conditions as those set for his annual variable cash compensation, namely:

- the meeting of quantitative criteria reflecting short-term performance, such as revenue, EBITDA, attributable net income and the WCR, as well as future performance, such as the number of housing units ordered and the number of units approved by the Commitment Committee.
- the meeting of qualitative criteria composed of criteria linked to team management, the quality of the social climate within the Company, control of operating expenses (including payroll), return on capital employed, adaptation of the Company to technological developments and good risk management.

On January 29, 2019, the Board of Directors noted the achievement of the performance conditions applicable to the 15,000 performance shares

(b) on May 3, 2018, the Board of Directors introduced long-term compensation for the Chairman and Chief Executive Officer based on the awarding of 10,000 bonus shares to the latter, with a vesting period of three years and a holding period of one year. The Board also decided that these shares would be subject to long-term performance conditions assessed over the period 2018-2020 (CSR performance – customer satisfaction – level of employee ownership of the Company's shares – TSR).

Table 11 AMF Definitions

Executive corporate officers	Employment contract	Supplemental retirement plan on termination	Compensation or benefits due or likely to be due by reason of a termination or change of office	Non-compete clause compensation
Nordine Hachemi				
Chairman and Chief Executive Officer	No	Yes ⁽¹⁾	Yes ⁽²⁾	Yes ⁽³⁾

(1) Nordine Hachemi benefits from a supplemental defined-contribution retirement plan as stipulated by Article 83 of the French General Tax Code; the Company paid contributions of €25,401.60 on behalf of Nordine Hachemi for the fiscal year 2018. This corresponds to the annual contributions capped at 8% of his gross salary, up to a maximum of eight times the Social Security ceiling.

(2) The severance pay is equal to 12 months' gross fixed and variable compensation due for the fiscal year ended, extended to 18 months if the Company is taken over 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 applicable for 12 months, to whole of France, resulting in the payment of fixed monthly gross compensation equal 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 the length of the term, if this is shorter), although the Company may reduce this period or release the executive officer from this commitment.

Draft resolution prepared by the Board of Directors in accordance with Article L. 225-100 of the French Commercial Code submitted to the Combined Shareholders' Meeting of May 2, 2019

ELEVENTH RESOLUTION

(Approval of the fixed, variable and extraordinary components of the total compensation and benefits of any kind paid or awarded to the Chairman and Chief Executive Officer of the Company for the fiscal year ended November 30, 2018)

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 on Corporate Governance prepared in accordance with Articles L. 225-37, L. 225-37-2 and R. 225-29-100 of the French Commercial Code, approves the fixed, variable and extraordinary components of the total compensation and benefits of any kind paid or awarded to the Company's Chairman and Chief Executive Officer for the fiscal year ended November 30, 2018, as presented in Section 2.2. of the aforementioned report, included in Section 9.5. of the Company's 2018 Registration Document.



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21.2.4.	Number of shares necessary to change the rights of shareholders	5.1.10.	228
21.2.5.	Conditions governing the manner in which Annual and Extraordinary Shareholders' Meetings are called, including conditions of admission	5.1.9.	227
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.	228-238
21.2.7.	Provisions of the bylaws, charter or rules governing the ownership threshold above which shareholder ownership must be disclosed	5.1.11.	228
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.	229
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.	227
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.	222-239

10.2. 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	Pages
Annual Financial Statements	4.2.	209
Consolidated Financial Statements	4.1.	170
Management report (report of the Board of Directors)	10.7.	302
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.	44-106
Capital structure and factors likely to have an impact in the event of a public offer	5.2./5.3.	226-229
Information about the implementation of the share buyback program during the fiscal year	5.2.3.	229
Statement by the persons responsible for the document	7.2.	248
Statutory Auditors' reports:		
• report of the Statutory Auditors on the Consolidated Financial Statements	9.3.1.	270
• report of the Statutory Auditors on the annual financial statements	9.3.2.	273
• special report of the Statutory Auditors on related-party agreements and commitments	9.3.3.	277
Report by the independent third party on the consolidated human resources, environmental and social information included in the management report	9.4.	279
Fees paid by the group to the Statutory Auditors and members of their networks	4.5. Note 10	205
Board of Directors' report on Corporate Governance	9.2.	267

10.3 List of publications since December 2017

Annual information document prepared in accordance with Article No. 222-7 of the Regulations of the *Autorité des Marchés Financiers* (AMF).

Type	Date	Subject	Medium
Press release	Dec. 4, 2017	Kaufman & Broad and Stradim win "Starlette" development project in Strasbourg	Internet
Press release	Dec. 5, 2017	Kaufman & Broad and Serenis combine know-how to create innovative concept, COSY DIEM	Internet
Press release	Dec. 7, 2017	Signature of 10-year fixed lease for 17,000 m ² property with major international corporation	Internet
Press release	Jan. 31, 2018	2017 annual results	Internet
Press release	March 21, 2018	Kaufman & Broad picked to develop hotels for future Toulouse exhibition center	Internet
Press release	Apr. 9, 2018	Kaufman & Broad launch the construction of 700 apartments and houses in Yvelines	Internet
Press release	Apr. 10, 2018	Kaufman & Broad to develop new hotel complex with 430 bedrooms at Roissy airport for Hyatt Place and Hyatt House	Internet
Press release	Apr. 11, 2018	1 st Quarter 2018 Results	Internet
Press release	Apr. 11, 2018	Kaufman & Broad lay foundation stone of business tourism hotel at Toulouse-Blagnac airport	Internet
Press release	Apr. 12, 2018	Chairman's report on Corporate Governance and internal control in 2017	Internet
Press release	Apr. 12, 2018	Nordine Hachemi appointment form	Internet
Press release	Apr. 12, 2018	Sylvie Charles appointment form	Internet
Press release	Apr. 12, 2018	Lucile Ribot appointment form	Internet
Press release	Apr. 12, 2018	Caroline Puechoultres appointment form	Internet

Type	Date	Subject	Medium
Press release	Apr. 12, 2018	Karine Normand- appointment form	Internet
Press release	May 3, 2018	Slideshow presentation	Internet
Press release	May 3, 2018	Five-year financial summary	Internet
Press release	May 25, 2018	Result of the option to receive in shares the dividend payment for the financial year ended November 30, 2017	Internet
Press release	June 7, 2018	Jean-Michel Wilmotte and Kaufman & Broad to reinvent Cap d'Agde, the seaside resort of France and Europe	Internet
Press release	June 11, 2018	Kaufman & Broad has delivered residential complex for the Batignolles eco-district in Paris	Internet
Press release	June 20, 2018	Les Patios de Fétilly in La Rochelle: Kaufman & Broad's new flagship project designed by architect Dominique Jakob	Internet
Press release	June 26, 2018	Concerto builds 74,000 m ² XXL-sized logistics platform in Mer in central France	Internet
Press release	July 2, 2018	Kaufman & Broad build headquarters of French blood donors' association ESF in the Eurasanté de Loos business district of Hauts-de-France, in Normandy	Internet
Press release	July 11, 2018	1 st Quarter 2018 Results	Internet
Press release	July 31, 2018	Notice of availability of interim financial report	Internet
Press release	Sept. 28, 2018	Results for the first nine months of 2018	Internet
Press release	Oct. 10, 2018	Implementation of the share buyback program	Internet
Press release	Oct. 18, 2018	Sophie Letierce, appointed Head of Human Resources at Kaufman & Broad	Internet
Press release	Oct. 19, 2018	Termination and implementation of a liquidity agreement	Internet
Press release	Oct. 23, 2018	Kaufman & Broad enters GAIA 2018 index Top 20, in recognition of the quality of its CSR policy	Internet
Press release	Oct. 29, 2018	Kaufman & Broad extends its footprint in eastern France with opening of an agency in Strasbourg	Internet
Press release	Dec. 7, 2018	MATA Capital acquires Green Oak project, 10,700 m ² of high energy efficiency office buildings, making extensive use of wood and recycled materials	Internet
Press release	Dec. 7, 2018	Corporate real estate and major urban projects, Kaufman & Broad to showcase its dynamic Commercial Property business at the SIMI tradeshow in Paris from December 5-7	Internet
Legal disclosure	Dec. 1, 2017	Additional Board of Directors' report	Internet
Legal disclosure	Dec. 1, 2017	Additional Statutory Auditors' report	Internet
Legal disclosure	Dec. 1, 2017	Recognition of the capital increase subscribed for as part of the leveraged offer to employees	Internet
Legal disclosure	Dec. 1, 2017	KAUFMAN & BROAD S.A. bylaws	Internet
Legal disclosure	Dec. 5, 2017	Monthly information on the total number of shares and voting rights	Internet
Legal disclosure	Jan. 8, 2018	Monthly information on the total number of shares and voting rights	Internet
Legal disclosure	Jan. 8, 2018	Half-year assessment of Kaufman & Broad's Liquidity Agreement	Internet
Legal disclosure	Jan. 31, 2018	Presentation of the 2017 annual results	Internet
Legal disclosure	Feb. 7, 2018	Monthly information on the total number of shares and voting rights	Internet
Legal disclosure	March 6, 2018	Monthly information on the total number of shares and voting rights	Internet
Legal disclosure	March 8, 2018	Dividend of €2.10 per share proposed to the Shareholders' Meeting for the fiscal year ended November 30, 2017	Internet
Legal disclosure	March 26, 2018	Prior notice published in French legal gazette (BALO) on March 26, 2018	Internet
Legal disclosure	March 27, 2018	Statutory Auditors' report on the issue of shares and securities reserved for employees subscribing to the Company savings plan	Internet
Legal disclosure	March 30, 2018	Kaufman & Broad: 2017 Registration Document	Internet
Legal disclosure	March 30, 2018	Availability of the 2017 Registration Document	Internet
Legal disclosure	Apr. 6, 2018	Monthly information on the total number of shares and voting rights	Internet
Legal disclosure	Apr. 11, 2018	First quarter 2018 results	Internet
Legal disclosure	Apr. 12, 2018	Extract from the 2017 Registration Document: meeting agenda	Internet

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List of publications since December 2017

Type	Date	Subject	Medium
Legal disclosure	Apr. 12, 2018	Monthly statement of the number of voting rights comprising the Company's share capital	Internet
Legal disclosure	Apr. 12, 2018	Consolidated Financial Statements at November 30, 2017	Internet
Legal disclosure	Apr. 12, 2018	Statutory Auditors' report on regulated agreements and commitments	Internet
Legal disclosure	Apr. 12, 2018	Extract from 2017 Registration Document: resolutions (French version)	Internet
Legal disclosure	Apr. 12, 2018	2017 Workforce data report	Internet
Legal disclosure	Apr. 12, 2018	2017 management report	Internet
Legal disclosure	Apr. 12, 2018	Appointment form – Sophie Lombard	Internet
Legal disclosure	Apr. 12, 2018	Statutory Auditors report: L. 225-37-2 French Commercial Code	Internet
Legal disclosure	Apr. 12, 2018	Statutory Auditors report: authorization for Shareholders' Meeting	Internet
Legal disclosure	Apr. 12, 2018	Company bylaws at Nov. 30, 2017	Internet
Legal disclosure	Apr. 12, 2018	Consolidated Financial Statements at Nov. 30, 2017	Internet
Legal disclosure	Apr. 12, 2018	Statutory Auditors report on the Consolidated Financial Statements at Nov. 30, 2017	Internet
Legal disclosure	Apr. 12, 2018	Appointment form – François Stevenin	Internet
Legal disclosure	Apr. 12, 2018	Appointment form – Karine Normand	Internet
Legal disclosure	Apr. 30, 2018	Postal voting form	Internet
Legal disclosure	May 3, 2018	Dividend for fiscal year ended November 30, 2017 – Options to pay the dividend in shares	Internet
Legal disclosure	May 3, 2018	Statutory Auditors' report: cancellation of purchased shares in the event of a reduction in share capital	Internet
Legal disclosure	May 7, 2018	Monthly information on the total number of shares and voting rights	Internet
Legal disclosure	May 7, 2018	Description of the share buyback program	Internet
Legal disclosure	May 15, 2018	Overall outcome of voting at the Shareholders' Meeting	Internet
Legal disclosure	June 8, 2018	Monthly information on the total number of shares and voting rights	Internet
Legal disclosure	Jul. 6, 2018	Monthly information on the total number of shares and voting rights	Internet
Legal disclosure	Jul. 6, 2018	Half-year assessment of Kaufman & Broad's Liquidity agreement	Internet
Legal disclosure	Aug. 6, 2018	Monthly information on the total number of shares and voting rights	Internet
Legal disclosure	Sept. 6, 2018	Monthly information on the total number of shares and voting rights	Internet
Legal disclosure	Oct. 4, 2018	Monthly information on the total number of shares and voting rights	Internet
Legal disclosure	Oct. 16, 2018	Disclosure of transactions relating to share buyback program	Internet
Legal disclosure	Oct. 22, 2018	Disclosure of transactions relating to share buyback program	Internet
Legal disclosure	Oct. 29, 2018	Disclosure of transactions relating to share buyback program	Internet
Legal disclosure	Nov. 5, 2018	Disclosure of transactions relating to share buyback program	Internet
Legal disclosure	Nov. 8, 2018	Monthly information on the total number of shares and voting rights	Internet
Legal disclosure	Nov. 12, 2018	Disclosure of transactions relating to share buyback program	Internet
Legal disclosure	Nov. 19, 2018	Disclosure of transactions relating to share buyback program	Internet
Legal disclosure	Nov. 26, 2018	Disclosure of transactions relating to share buyback program	Internet
Legal disclosure	Nov. 30, 2018	Statutory Auditors' report on the Annual Financial Statements at Nov. 30, 2017	Internet
Legal disclosure	Nov. 30, 2018	Statutory Auditors' report of Nov. 30, 2017: Article 225.235 of the French Commercial Code	Internet
Legal disclosure	Dec. 3, 2018	Disclosure of transactions relating to the share buyback program	Internet
Legal disclosure	Dec. 18, 2018	Amendment to mandate for the share buyback program	Internet
Legal disclosure	Dec. 24, 2018	Disclosure of transactions relating to the share buyback program	Internet
Presentation	Jul. 12, 2018	Presentation of first half 2018 results	Internet
Presentation	Jul. 31, 2018	Presentation of interim financial report	Internet
Presentation	Oct. 1, 2018	Results for the first 9 months of 2018 slideshow	Internet
French legal notice journals	Apr. 5, 2018	Notice of Annual Shareholders' Meeting	Les Echos
BALO	Apr. 11, 2018	Notice of Annual Shareholders' Meeting	BALO (French legal gazette)

10.4. 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 €)	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)

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Summary table of currently valid authorizations concerning capital increases

(in €)	Date of the ESM	Delegation's expiration date	Nominal amount of authorized capital increase	Capital increase(s) made in earlier years	Capital increase(s) made during the fiscal year	Capital increase(s) made 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's employee savings plan up to a maximum amount of 2% of share capital.	May 11, 2017	July 11, 2019	Capped at 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 mutual fund KB Actions 2017	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	2,530
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	169,131
Authority to award bonus shares (new or existing)	May 3, 2018	July 3, 2021	250,000 shares including 50,000 shares to corporate officers	None	None ⁽²⁾	None	128,012

(1) The amount authorized is deducted from the maximum delegated authority amount of €2,700,000, to which is added 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) Due to the allocation of treasury stock to fund these plans, the latter may not give rise to a capital increase.

The following reports have been incorporated by reference into this 2018 Registration Document and have been formatted for the purposes of this Registration Document. Unformatted reports may be consulted at Kaufman & Broad's head office.

10.5. Board of Directors' report on Bonus Share Awards (Shareholders' Meeting of May 2, 2019)

See Section 5.2.3.4. "Special reports on the stock options, stock warrants, and bonus shares presented to the Shareholders' Meeting of Thursday, May 2, 2019".

10.6. Special report on Stock Purchase and Subscription Options

N/A

10.7. Management report by the Board of Directors

1. Business and Financial Review of Kaufman & Broad SA

1.1. Business volumes

See Section 4.2. “Statutory Financial Statements at November 30, 2018”
– Section 4.2.2.1. “Significant events”.

1.2. Situation

See Section 4.2. “Statutory Financial Statements at November 30, 2018”
– Section 4.2.2. “Analysis of the financial statements” et seq.

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”.

4. Other information

4.1. Summary of share purchases and sales (L. 225-211 par. 2)

See Section 5.2.3.2. “Summary of share purchases and sales”.

4.2. Stock option or stock warrant plans – bonus share awards

See Section 3.3. “Incentive programs” and following.

4.3. Directors’ Holdings

See Section 3.2. “Directors’ Holdings.”

4.4. Internal control and risk management system

See Section 1.3. Internal control and risk management system

4.5. Non-financial reporting: Kaufman & Broad’s Corporate Social Responsibility (CSR)

See Section 1.7. “Non-financial reporting: Kaufman & Broad’s Corporate Social Responsibility”:

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”.

Five-year financial summary

See Section 4.4. “Five-year financial summary”.

Scope of consolidation

See Section 4.1.5. “Notes to the financial statements”, Note 12. “Statutory Auditors’ fees”.

10.8. 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	In the case of sales before completion (VEFA), the backlog consists of orders for housing units that have not been delivered, and for which a notarized deed of sale has not yet been signed, and orders for housing units that have not been delivered for which a notarized deed of sale has been signed for the portion not yet recorded in revenue (in the case of a program for which an advance of 30% has been received, 30% of the revenue from a housing unit for which a notarized deal has been signed is recognized as revenue, while 70% is included 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 – it being understood that translating the backlog into revenue 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®	The Bilan Carbone® is a carbon assessment tool for calculating greenhouse gas emissions whose objective is to gauge direct and indirect emissions from business activity, economic or otherwise, based on readily available data.
Commercial offer	This is represented by the total inventory of properties available for sale as of the date in question, i.e., all unordered housing units as of this date (minus the programs that have not entered the marketing phase).
Competitive bidding	A process that enables a principal (the Project Owner) to choose the Company (the tendering enterprise, 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 its total expense budget.
Gross margin	The 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 from 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 portfolio	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 Dufflot 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 percentage 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 so called 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 puts them in charge of 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 the "Pass-Foncier" and the tax credit on loan interest, which were eliminated on January 1, 2011. It is available 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. The future structures will become the purchaser's property as they are completed: the purchaser is required to pay the price of these structures as the works progress. 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 of calling for payment from customers in accordance with the percentage completion of programs, based on a payment schedule determined by law, while giving customers a Performance Bond. The customers' total 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 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 in respect of compliance in execution as per 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 momentum continues 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 just ended, the latter being divided by three.
Take-up rate (Te)	The take-up rate represents the percentage of the initial inventory for a property program that is sold on a monthly basis (sales per month divided by the initial inventory), i.e., net monthly orders divided by the ratio between the opening inventory and the closing inventory, divided by two. NB: The inverse of the take-up rate (1/Te) gives the expected timeframe (in months) for the marketing of a program, i.e., the marketing period. For example, a 4.0% take-up rate corresponds to a projected duration of 25 months of marketing.
Units	Units are used to define the number of housing units or Equivalent Housing Units (for mixed programs) of any given program. The number of Equivalent Housing Units is calculated as a ratio between the surface area by type (business premises, retail space, or offices) and the average surface area of the housing units previously obtained.

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 specific principles of operation and transparency for improving their management and image among investors and the public, particularly in terms of Corporate Governance and compensation 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 allocated to 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 in the case of a French limited liability company or sole-shareholder limited liability company or a Chair and Chief Executive Officer (or a Chief Executive Officer) for a commercial company. Corporate officers represent 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 Chair of the Board of Directors, the Chief Executive Officer (if the role is separate from that of Chair), 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)	Ratio of net debt (or net financial debt) to the consolidated shareholders' equity of the Company. It measures the risk to the Company's financial structure.
Directors' fees	Directors' fees consist of fees paid to the Chairs and Chief Executive Officers, General Managers, 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 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 was 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 resulting from 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 2" Law), setting out more specific provisions for these goals.
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 the interest accrued on balance sheet items constituting gross financial debt.
Internal control	Company-specific system, defined and implemented under its responsibility, that aims to ensure: a) compliance with laws and regulations; b) the application of instructions and guidelines issued by 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 using bank or bond debt, which increases the return on equity. The acquisition debt, bank loan or other, is repaid by carving a greater slice off the acquired company's revenues.
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 complexes consisting of housing units (homes or apartments) for residential use offering a minimum number 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	A company's net debt or net financial debt is the balance of its gross financial debt (gross borrowings) and the available financial assets forming its "cash and cash equivalents". 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 allow 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 publicly traded as appropriate and in a specific manner.
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 nominative 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 Auditor	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.

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