

# Press Release

For immediate release

Paris, September 30, 2014

## Results for the first nine months of 2014

### Expanding our commercial offer and continued growth of our property portfolio

#### ◆ Key sales activity items

- ✓ **Housing orders:**  
+0.2% in volume, +3.5% in value
- ✓ **New program take-up rate:**  
43.8% vs. 39.8% in Q3 2013

#### ◆ Key financial items

- ✓ **9-month revenues:**  
€654.5 million vs. €679.3 million in 2013
- ✓ **9-month gross margin:**  
€122.5 million vs. €130.3 million in 2013
- ✓ **9-month attributable net income:**  
€19.5 million vs. €23.8 million in 2013
- ✓ **Net financial debt at August 31:**  
€42.3 million vs. €50.0 million at end-November 2013

#### ◆ Key growth indicators

- ✓ **Housing backlog at August 31:**  
€1,002.2 million vs. €965.1 million at end-November 2013
- ✓ **Housing property portfolio at August 31:**  
19,550 lots vs. 15,205 lots at end-Nov. 2013

The Kaufman & Broad SA Board of Directors reviewed the results, which were not audited, for the 3<sup>rd</sup> quarter of fiscal year 2014 (June 1 to August 31, 2014) and Nordine Hachemi, Chairman and Chief Executive Officer of Kaufman & Broad SA, made the following statement:

*"In the 3<sup>rd</sup> quarter, the Housing business posted a steady level of orders and a satisfactory take-up rate for new programs, which confirms that our commercial offer is well positioned.*

*This offer should benefit from the opening of 30 new programs in the 4<sup>th</sup> quarter.*

*Furthermore, the increase in our Housing backlog and the significant growth of our property portfolio are confirmed.*

*In the Commercial property business, an agreement to sell was signed for a 23,000 sq.m. office building in the Paris Rive Gauche Mixed Development Zone (ZAC); the conditions precedent related to it are expected to be fulfilled by November 30.*

*Also, the measures announced by the Government – if they become effective very quickly – could have a positive effect on our business activities.*

*Based on these assumptions, Kaufman & Broad expects revenues very similar to those of 2013 and a slightly lower gross margin for the fiscal year as a whole."*

#### ◆ Sales activity

## ✓ **Housing segment**

In the first nine months of 2014, housing orders were up 0.2% in volume and totaled 3,950. In the 3<sup>rd</sup> quarter of 2014 alone, 1,349 housing units were ordered, versus 1,348 in the 3<sup>rd</sup> quarter of 2013. In value, they increased 3.5% to €770 million (including VAT). Orders in Île-de-France accounted for 33.8% in volume and 38.7% in value of all housing orders, versus 46.7% and 49.5% for the first nine months of 2013 taken together.

The average take-up rate of new programs launched in the 3<sup>rd</sup> quarter of 2014 was 43.8%, compared with 39.8% in the 3<sup>rd</sup> quarter of 2013.

### **Apartments**

Over the nine-month period, apartment orders totaled €728 million (including VAT) for 3,813 units, down 4.1% in volume and 9.3% in value compared to the same period in 2013.

### **Single-family homes in communities**

Over the entire nine-month period in 2014, single-family homes in community orders totaled €42 million (including VAT), compared with €78.1 million (including VAT) in the first nine months of 2013.

### **Customer-base structure**

In the first nine months of 2014, investors' orders in value rose 2 points to 33%. Orders from homebuyers were 41% (29% from first-time homebuyers and 12% from second-time homebuyers). Block orders totaled 26.3%.

## ✓ **Commercial property segment**

Kaufman & Broad applied for three building permits for projects of significant size in Paris, whose Paris Rive Gauche Mixed Development Zone (ZAC), representing more than 54,000 sq.m. of office space.

It is anticipated that the conditions precedent related to the agreement to sell an office building, signed in August, in the Paris Rive Gauche Mixed Development Zone (ZAC) will be fulfilled by November 30, 2014.

## ✓ **Forward indicators of sales activity**

At August 31, 2014, total backlog amounted to €1,045.8 million (excluding VAT), up 2.7% compared to November 30, 2013.

Housing backlog totaled €1,002.2 million (excluding VAT), or nearly 13 months of business.

The Commercial property backlog totaled €43.2 million (excluding VAT).

At August 31, Kaufman & Broad had 165 housing programs on the market representing a total of 3,382 housing units, of which 1,295 were in Île-de-France and 2,087 were in the Regions.

The Housing property portfolio included 19,550 lots, of which 6,322 were in Île-de-France and 13,228 in the Regions, for potential revenues corresponding to more than three years of business and an increase of close to 30% compared with the total of 15,200 lots at end-November 2013.

In the 4<sup>th</sup> quarter of 2014, the group plans to launch 30 new programs, including 14 launches in Île-de-France representing 1,193 lots and 16 launches in the Regions representing 1,351 lots.

## ◆ Financial results

### ✓ Operating activities

Total revenues were €654.5 million (excluding VAT) in the first nine months of 2014, compared with €679.3 million (excluding VAT) in the same period of 2013. In the 3<sup>rd</sup> quarter of 2014, revenues totaled €227.9 million.

Housing revenues, which represent 96.0% of total revenues, amounted to €628.3 million (excluding VAT) versus €660.2 million (excluding VAT) in the first nine months of 2013. Just in the 3<sup>rd</sup> quarter, that figure was €218.3 million. Île-de-France's share of those revenues was 48.5% compared with 44.5% for the same period in 2013.

Nine-month revenues for the Apartment business totaled €569.4 million (excluding VAT) versus €630.9 million for the same period in 2013. Revenues for Single-family homes in communities was €58.8 million (excluding VAT) versus €29.3 million (excluding VAT) in 2013.

Commercial property revenues totaled €21.3 million (excluding VAT) compared with 13.5 in the first nine months of 2013. The other business activities generated revenues of €5.0 million (excluding VAT).

### ✓ Profitability indicators

Gross margin for the first nine months of 2014 totaled €122.5 million compared with €130.3 million in 2013. This drop can be explained for the most part by the decline in revenues and, to a lesser degree, by the fact that older programs were brought to the market faster. The gross margin rate was 18.7% versus 19.2% for the same period in 2013.

Current operating expenses amounted to €84.0 million (12.8% of revenues) versus €85.0 million in 2013 (12.5% of revenues).

Nine-month current operating profit totaled €38.6 million compared with €45.3 million in 2013. The current operating margin was 5.9% versus 6.7% in 2013. Attributable net income was €19.4 million versus €23.8 million in 2013.

### ✓ Financial structure and liquidity

At August 31, 2014, gross financial debt was €147.7 million, down by more than €90.0 million compared to November 30, 2013. Net financial debt was €42.3 million, down €7.7 million compared to November 30, 2013.

At August 31, 2014, active cash flow (available cash and investment securities) was €105.4 million, compared with €188.3 million at November 30, 2013.

Working capital requirements totaled €150.5 million (15.0% of revenues over 12 months rolling) compared with €141.7 million at August 31, 2013 (13.7%) and €126.8 million at November 30, 2013.

Gearing (the "net financial debt-to-consolidated equity" ratio) was 21.3% at August 31, 2014 versus 26.6% at November 30, 2013.

◆ **Next regular publication date:**

January 22, 2015: 2014 Annual Results (after market close)

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- ◆ **About Kaufman & Broad** - For more than 40 years, Kaufman & Broad has been designing, building and selling single-family homes in communities, apartments and offices on behalf of third parties. Kaufman & Broad is a leading French property builder and developer in view of its size, earnings and power of its brand.

**Disclaimer** - *This document contains forward-looking information. This information is liable to be affected by known or unknown factors that KBSA cannot easily control or forecast which may render the results materially different from those stated, implied or projected by the company. These risks specifically include those listed under "Risk Factors" in the Registration Document filed with the AMF under number D.14-0121 on March 6, 2014.*

◆ **Glossary**

**Orders:** measured in volume (Units) and in value, orders reflect the group's commercial activity. Orders are recognized in revenue based on the time necessary for the "conversion" of an order into a signed and notarized deed, which is the point at which income is generated. In addition, for apartment programs that include mixed-use buildings (apartments/business premises/retail space/offices), all floor space is converted into housing equivalents.

**Units:** are used to define the number of housing units or equivalent housing units (for mixed programs) of any given program. The number of equivalent housing units is calculated as a ratio of the surface area by type (business premises/retail space/offices) to the average surface area of the housing units previously obtained.

**EHU:** EHUs (Equivalent Housing Units delivered) directly reflect sales. The number of EHUs is a function of multiplying (i) the number of housing units of a given program for which the notarized sales deeds have been signed by (ii) the ratio between the group's property expenses and construction expenses incurred on the said program and the total expense budget for said program.

**Take-up rate:** the number of orders in relation to the average commercial offer for the period.

**Commercial offer:** the total inventory of properties available for sale as of the date in question, i.e., all unordered housing units as of this date (less the programs that have not entered the marketing phase).

**Gross margin:** corresponds to revenues less cost of sales. Cost of sales consists of the price of land parcels, the related property costs and construction costs.

**Backlog:** a summary at any given moment used for forecasting future revenues for the coming months.

**Property portfolio:** all real estate for which a deed or commitment to sell has been signed.

## APPENDICES

### ◆ Financial data

#### Key consolidated data

<i>in € thousands</i>	Q3 2014	9 month 2014	Q3 2013	9 month 2013
Revenues	227,945	654,512	232,758	679,313
- of which Housing	218,258	628,286	223,634	660,247
• of which Île-de France	106,839	304,633	108,811	294,133
• of which Regions	111,419	323,653	114,823	366,114
- of which Commercial property	8,258	21,256	7,500	13,531
- of which Other	1,428	4,970	1,626	5,536
Gross margin	42,854	122,546	44,675	130,259
Gross margin rate (%)	18.7%	18.7%	19.2%	19.2%
Current operating income	16,965	38,616	14,921	45,290
Current operating margin (%)	7.4%	5.9%	6.4%	6.7%
Attributable net income	8,040	19,438	6,452	23,786
Attributable net income per share (€/share) *	0.37	0.90	0.30	1.10

\* Based on the number of shares composing the capital of Kaufman & Broad SA, i.e., 21,584,658 shares

#### Consolidated income statement\*

<i>in € thousands</i>	Q3 2014	9 month 2014	Q3 2013	9 month 2013
<b>Revenues</b>	<b>227,945</b>	<b>654,512</b>	<b>232,758</b>	<b>679,313</b>
Cost of sales	(185,091)	(531,966)	(188,083)	(549,054)
<b>Gross margin</b>	<b>42,854</b>	<b>122,546</b>	<b>44,945</b>	<b>130,259</b>
Selling expenses	(6,400)	(19,541)	(7,088)	(21,527)
Administrative expenses	(12,515)	(38,057)	(14,244)	(37,162)
Technical and customer service expenses	(4,024)	(13,362)	(4,456)	(14,660)
Development and program expenses	(2,950)	(12,970)	(3,964)	(11,620)
<b>Current operating income</b>	<b>16,965</b>	<b>38,616</b>	<b>14,921</b>	<b>45,290</b>
Other non-recurring income and expenses	(3)	132	(2)	(7)
<b>Operating income</b>	<b>16,962</b>	<b>38,748</b>	<b>14,922</b>	<b>45,282</b>
Cost of net financial debt	25	406	(654)	(780)
Other income and expenses	-	-	-	-
Income tax	(5,786)	(11,926)	4,898	(13,093)
Share of income (loss) of equity affiliates and joint ventures	200	876	(20)	353
<b>Income (loss) attributable to shareholders</b>	<b>11,403</b>	<b>28,106</b>	<b>9,349</b>	<b>31,762</b>
Minority interests	3,363	8,668	2,897	7,976
<b>Attributable net income</b>	<b>8,040</b>	<b>19,438</b>	<b>6,452</b>	<b>23,786</b>

\*Unaudited and not approved by the Board of Directors

#### Consolidated balance sheet\*

in € thousands

August 31,  
2014

November  
30, 2013

## ASSETS

Goodwill	68,511	68,511
Intangible Assets	84,598	85,376
Property, plant and equipment	5,700	4,713
Equity affiliates and joint ventures	7,172	8,181
Other non-current financial assets	9,784	20,139
<b>Non-current assets</b>	<b>175,765</b>	<b>186,920</b>
Inventories	<b>320,892</b>	324,963
Accounts receivable	232,743	291,778
Other receivables	141,182	153,404
Cash and cash equivalents	105,376	188,258
Prepaid expenses	1,146	867
<b>Current assets</b>	<b>801,339</b>	<b>959,270</b>
<b>TOTAL ASSETS</b>	<b>977,104</b>	<b>1,146,190</b>

## EQUITY AND LIABILITIES

Capital stock	5,612	<b>5,612</b>
Additional paid-in capital	165,918	130,932
Attributable net income	19,439	40,847
<b>Attributable shareholders' equity</b>	<b>190,969</b>	177,391
Minority interests	7,727	10,811
<b>Shareholders' equity</b>	<b>198,696</b>	<b>188,202</b>
Non-current provisions	18,953	33,422
Borrowings and other non-current financial liabilities (> 1 year)	141,339	218,959
Deferred tax liabilities	51,856	40,365
<b>Non-current liabilities</b>	<b>212,147</b>	<b>292,746</b>
Current provisions	14,466	1,724
Other current financial liabilities (< 1 year)	6,373	19,340
Accounts payable	465,666	550,233
Other payables	78,131	92,729
Deferred income	1,624	1,217
<b>Current liabilities</b>	<b>566,260</b>	<b>665,242</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>977,104</b>	<b>1,146,190</b>

*\*Unaudited and not approved by the Board of Directors*

## ◆ Operational data

<b>Housing</b>	<b>Q3 2014</b>	<b>9 month 2014</b>	<b>Q3 2013</b>	<b>9 month 2013</b>
Revenues (€m, excluding VAT)	218.3	628.3	223.6	660.2
- of which Apartments	199.8	569.4	209.8	630.9
- of which Single-family homes in communities	18.4	58.8	13.8	29.3
Deliveries (EHUs)	1,343	3,813	1,218	3,762
- of which Apartments	1,269	3,589		?
- of which Single-family homes in communities	74	224	65	140
Net orders (number)	1,349	3,950	1,348	3,943
- of which Apartments	1,297	3,813	1,202	3,664
- of which Single-family homes in communities	52	137	146	279
- of which Île-de France	378	1,337	566	1,840
- of which Regions	971	2,613	782	2,103
Net orders (€m, including VAT)	244.8	770.0	262.4	744.2
- of which Apartments	230.6	728	220.3	666.1
- of which Single-family homes in communities	14.1	42	42.1	78.1
- of which Île-de France	83.2	298.1	119.9	368.3
- of which Regions	161.5	471.9	142.5	375.9
Commercial offer at period end (number)	3,382		3,379	
Backlog at period end				
- In value (€m, excluding VAT)	1,002.2		1,067.6	
▪ of which Apartments	419.1		976.8	
▪ of which Single-family homes in communities	583.1		90.8	
- In months of business	12.9		12.7	
Property portfolio at period end				
- In number of lots	19,550		16,236	
▪ of which Île-de France	6,322		6,028	
▪ of which Regions	13,228		10,208	
<b>Commercial property</b>	<b>Q3 2014</b>	<b>9 month 2014</b>	<b>Q3 2013</b>	<b>9 month 2013</b>
Revenues (€m, excluding VAT)	8.3	21.3	7.5	13.5
Net orders (€m, including VAT)	-	11.5	0.5	11.5
Backlog at period end (€m, excluding VAT)	43.2		26.9	