

2018 ANNUAL RESULTS

- ✓ **Solid sales and financial results:**
 - **Overall backlog: + 17.9% to €2.2bn**
 - **Revenues: + 12.0% to €1.6bn**
 - **Attributable net income: + 23.4% to €73.0m**
 - **Financial structure: €50.0 positive net cash position**
- ✓ **Proposed dividend: €2.50 per share**

◆ **Key sales data (2018 vs. 2017)**

- **Total orders:**
 - €2,231.0m (+15.0%) incl. VAT
 - Housing: €1,871.5m (+4.5%) incl. VAT
9,122 units (+1.1%)
 - Commercial property: €359.5m
- **Take-up period for Housing*:**
5.0 months vs. 5.1 months (-0.1 months)

◆ **Key financial data (2018 vs. 2017)**

- **Revenues:**
€1,558.2m (+12.0%)
Of which housing: €1,293.8m (+6.6%)
- **Gross margin:**
€300.0m (+11.5%)
- **Adjusted EBIT:**
€148.9m (+18.1%)
- **Attributable net income:**
€73.0m (+23.4%)
- **Cash net of financial debt:**
€50.0m vs. (€33.1)m at end 2017
- **Financing capacity:** €353.4m
(€321.1M at end 2017)

◆ **Key growth indicators (2018 vs. 2017)**

- **Overall backlog:**
€2,179.4m (+17.9%)
Of which Housing: €1,960.8m (+17.4%)
- **Housing property portfolio:**
30,116 units (+8.4%)

Kaufman & Broad SA announced its results for the 2018 financial year (from December 1, 2017 to November 30, 2018) today.

Nordine Hachemi, Chairman and Chief Executive Officer of Kaufman & Broad, made the following comments:

"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."

"In value terms, overall orders were up by 15.0%. The increases in the land reserve (+8.4%) and in overall Backlog (+17.9%) confirm our strong long-term growth capacity. In particular, thanks to the 17.4% increase in Housing Backlog, we will be able to continue closely managing our land reserve, which represents more than three years of activity."

"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 addition, the Commercial business was dynamic, with total orders amounting to €359.5m including VAT. The A7-A8 project at Paris-Gare d'Austerlitz, around 90,000 sq.m of office, retail, and hotel space, is moving ahead according to schedule, and the building permit should be filed in the first half of 2019."

"The adjusted EBIT margin was more than 9%, a testament to our firm handle on sale prices and operating expenses. Working capital requirement is still stable in a context of increasing revenues and Backlog."

*Calculated on the basis of a 12-month financial year

“The result is an €83.1m reduction in financial debt compared with the end of 2017 and a positive net cash position of €50m at the end of November 2018.

“All of these points helped raise consolidated share capital by more than €46 million, bringing it to €262m at the end of November, and contributed to a financing capacity of €353.4 M€, made up primarily of available cash (€253.4 million).

“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.

“In this context, Kaufman & Broad will continue its strategy of marketing projects that respect its customers' expectations and their financial means.

“Over the 2019 financial year, total revenues 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 of 2019. The gross margin ratio is expected to remain stable at around 19% and the adjusted EBIT ratio should stay above 9%.

“Based on these data, the Board of Directors will propose the payment of a dividend of €2.50 per share to the General Meeting of Shareholders, a 19% increase, including an option for payment in cash, shares, or in cash and shares.”

Sales activities

✓ Housing

For 2018, in value terms, housing orders totaled €1,871.5 million including VAT, a 4.5% increase compared with 2017. In volume, 9,122 units were ordered, a 1.1% increase compared with 2017.

The take-up period for projects was 5.0 months over the 12-month period, a 0.1 month improvement compared with 2017 (5.1 months).

Housing supply, with 95% of projects located in high-demand, low-supply areas (A, Abis, and B1), totaled 3,781 units at the end of 2018 (3,835 units at end 2017).

Breakdown of the customer base

In 2018, in value terms (before VAT), orders from first-time buyers were up compared with 2017, representing 18% of sales. Orders from second-time buyers increased by 5%, making up 9% of sales. Orders from investors accounted for 31% of sales (26% just for the Pinel Scheme). Block sales increased by 34%, representing 41% of sales in 2018, of which more than 46% of which was managed accommodation (for tourists, students, business travelers, and seniors).

✓ Commercial Property

Over the 2018 financial year, the Commercial Property segment posted €359.5 million (including VAT) in net orders, a figure that corresponds to a logistics platform and two office complexes.

In particular, Kaufman & Broad signed:

- a sale-before-completion contract (VEFA) to build approximately 7,000 sq.m in office premises at Eurasanté, a specialized health industry complex developed by the Lille metropolitan area.
- a sale-before-completion contract (VEFA) for a major restructuring project on the "HIGHLIGHT" commercial campus in Courbevoie: 24,000 sq.m divided into three buildings, including one high-rise building;
- a sale-before-completion contract (VEFA) for the "GREEN OAK" office building in Arcueil in the Vache Noir district: 10,700 sq.m, with a significant percentage of low-carbon materials, such as wood or recycled glass in the facade;
- a sale-before-completion contract (VEFA) for a latest-generation XXL logistics platform of a total surface area of 74,000 sq.m in MER for DWS (Deutsche Bank Asset Management) after signing a lease-before-completion (BEFA) contract with the LAPEYRE group.

In addition, in 2018, Kaufman & Broad delivered two major office projects:

- The "GALAXIE" building in the 13th arrondissement of Paris: 23,000 sq.m, home to the CDC Habitat Group's new head office,
- The "ORA" building in the 17th arrondissement of Paris: 26,000 sq.m, home to Canon's new head office (70% of surface area),

Kaufman & Broad (through its subsidiary Concerto) also delivered the French armed forces' logistics platform in Châtres: 36,000 sq.m completed for GROUPAMA (owner) and the Ministry of Defense (tenant).

Kaufman et Broad currently has around 283,000 sq.m in office space and around 66,000 sq.m in logistics space under marketing or under study. It is also currently building around 52,000 sq.m in office space and more than 146,000 sq.m in logistics space.

✓ Forward-looking sales and development indicators

At the end of 2018, the Housing backlog amounted to €1,960.8 million (excluding VAT), the equivalent of 18.2 months of business. Kaufman & Broad had 203 housing programs on the market at the same date, which represent 3,781 housing units, compared with 218 programs representing 3,835 housing units at the end of November 2017.

The Housing property portfolio represents 30,116 units. It was up by 8.4% compared with the market at the end of 2017 and corresponds to more than 3 years of sales activity.

In the 1st quarter of 2019, the Group is planning to launch 25 new programs, including 8 in the Île-de-France region, representing 543 units, 16 outside of the Paris region (Île-de-France), representing 1,139 units, and one business property program.

At the end of 2018, the commercial backlog amounted to €218.3 million.

◆ Financial results

✓ Business volumes

Total revenues amounted to €1,558.2 million (excluding VAT), up 12.0 % compared with 2017.

Housing revenues amounted to €1,293.8 million (excluding VAT), compared with €1,213.7 million (excluding VAT) in 2017. This represents 83.0 % of group revenue. Revenues from the Apartments business were up 4.4 % compared with 2017, and amounted to €1,220.8 million (excluding VAT). Revenue from Single-family Homes in Communities totaled €73.0 million (excluding VAT), versus €44.6 million (excluding VAT) in 2017.

Revenue from Commercial Property amounted to €254.2 million (excluding VAT), compared with €165.3 million (excluding VAT) in 2017.

✓ Profitability highlights

Gross margin for the 2018 fiscal year amounted to €300.0 million compared with €269.1 million in 2017. The gross margin ratio was 19.3%, stable compared with 2017 (19.4%).

Current operating expenses amounted to €162.8 million (10.4% of revenues), compared with €151.2 million for the same period in 2017 (10.9% of revenues).

Current operating profit amounted to €137.2 million, compared with €118.0 million in 2017. The current operating margin ratio was 8.8 %, compared with 8.5% in 2017.

The group's adjusted EBIT amounted to €148.9 million in 2018 (compared with €126.1 million in 2017). The adjusted EBIT margin was 9.6% (compared with 9.1% in 2017).

Attributable net income was €73.0 million compared with €59.1 million in 2017, up by 23.4%.

✓ Financial structure and liquidity

The net cash position was €50 million on November 30, 2018, compared with a net financial debt of (€33.1) million at the end of 2017, an €83.1 million improvement within the space of one year. This includes €6.6 million in shares bought back in 2018. Cash assets (available cash and investment securities) amounted to €253.4 million, compared with €221.1 million at November 30, 2017. The group's financing capacity was €353.4 million (€321.1 million at the end of 2017).

Working capital requirement amounted to €110.8 million (7.1 % of annual revenues), compared with €147.6 million at the end of 2017 (10.6% of revenues). It is significantly lower than "standard" levels, for two main reasons: first, the take-up period for Housing was at a historic low, and, secondly, commercial operations benefited from favorable operating conditions, both for office space and logistics, in 2018.

◆ 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, in shares or in cash and shares.

◆ 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.

◆ 2019 outlook

Over the 2019 financial year, total revenues 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 remain stable at around 19% and the adjusted EBIT ratio should stay above 9%.

This press release is available at www.kaufmanbroad.fr

◆ Next regular publication date:

- ✓ April 12, 2019: Q1 2019 results (after market close)
- ✓ Thursday, May 2, 2019: Shareholders' Meeting

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About Kaufman & Broad - Kaufman & Broad has been designing, developing, building, and selling single-family homes in communities, apartments, and offices on behalf of third parties for more than 50 years. Kaufman & Broad is one of the leading French developers-builders due to the combination of its size and profitability, and the strength of its brand.

The Kaufman & Broad Registration Document was filed with the French Financial Markets Authority ("AMF") under No. D.18 0226 on March 29, 2018. It is available on the AMF (www.amf-france.org) and Kaufman & Broad (www.kaufmanbroad.fr) websites. It contains a detailed description of Kaufman & Broad's business activities, results, and outlook, as well as the associated risk factors. Kaufman & Broad specifically draws attention to the risk factors set out in Chapter 1.2 of the Registration Document. The occurrence of one or more of these risks might have a material adverse impact on the Kaufman & Broad group's business activities, net assets, financial position, results, and outlook, as well as on the price of Kaufman & Broad's shares.

This press release does not amount to, and cannot be construed as amounting to a public offering, a sale offer or a subscription offer, or as intended to seek a purchase or subscription order in any country.

◆ Glossary

Adjusted EBIT: corresponds to income from current operations restated for capitalized "IAS 23 revised" borrowing costs, which are deducted from gross margin.

Backlog: In the case of sales before completion (VEFA), this covers 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 revenues (in the case of a program for which an advance of 30% has been received, 30% of the revenues from a housing unit for which a notarized deal has been signed is recognized as revenues, while 70% is included in the backlog). The backlog is a summary at a given time, which enables the revenues yet to be recognized over the coming months to be estimated, thus supporting the Group's forecasts – with the proviso that there is an element of uncertainty in the transformation of the backlog into revenues, particularly for orders that have not yet been signed.

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

Financing capacity: corresponds to cash assets plus lines of credit not yet drawn

Gross margin: corresponds to revenues less cost of sales. The cost of sales is made up of the price of land and any related costs plus the cost of construction.

Lease-before-completion (BEFA): a lease-before-completion involves a customer leasing a building before it is built or redeveloped.

Orders: measured in volume (units) and in value terms; orders reflect the group's sales 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, in the case of multi-occupancy housing programs that include mixed-use buildings (apartments, business premises, retail space, and offices), all of the floor space is converted into housing unit equivalents.

Property portfolio: represents all of the land for which any commitment (contract of sale, etc.) has been signed.

Property supply: it 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).

Sale-before-completion (VEFA): a sale-before-completion is an agreement by which the vendor transfers its rights to the land and its ownership of the existing buildings to the purchaser immediately. 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.

Take-up period: The take-up period is the number of months required for the available housing units to be sold, if sales continue at the same rate as in previous months, or the number of housing units (available supply) per quarter divided by the orders for the previous quarter, and divided by three in turn.

Take-up rate: The take-up rate represents the percentage of the initial inventory that is sold on a monthly basis for a property program (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.

Units: Units are the number of housing units or equivalent housing units (for mixed projects) for a given project. 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.

NOTES

◆ Financial data

Key consolidated data

In € million	Q4 2018	Full year 2018	Q4 2017	Full year 2017
Revenue	461.9	1,558.2	442.9	1,390.8
· Of which housing	406.8	1,293.8	392.9	1,213.7
· Of which Commercial Property	51.3	254.2	42.4	165.3
· Of which other	3.7	10.3	7.6	11.8
Gross margin	88.2	300.0	87.4	269.1
Gross margin ratio (%)	19.1%	19.3%	19.7%	19.4%
Current operating income	38.9	137.2	42.6	118.0
Current operating margin (%)	8.4%	8.8%	9.6%	8.5%
Adjusted EBIT*	42.7	148.9	45.5	126.1
Adjusted EBIT margin (%)	9.2%	9.6%	10.3 %	9.1%
Attributable net income	21.2	73.0	25.9	59.1
Attributable net EPS (€/share)**	0.97	3.34	1.23	2.81

* Adjusted EBIT corresponds to current operating profit restated for capitalized "IAS 23 revised" borrowing costs, which are deducted from the gross margin.

**Based on the number of shares that make up Kaufman & Broad S.A.'s share capital, i.e. 21,073,535 shares at November 30, 2017 and 21,864,074 shares at November 30, 2018

Consolidated income statement*

€ thousands	Q4 2018	Full year 2018	Q4 2017	Full year 2017
Revenues	461,892	1,558,229	442,858	1,390,798
Cost of sales	(373,733)	(1,258,227)	(355,488)	(1,121,666)
Gross margin	88,159	300,002	87,370	269,132
Sales expenses	(10,302)	(36,433)	(10,573)	(37,655)
Administrative expenses	(26,225)	(74,541)	(16,391)	(64,340)
Technical and customer service expenses	(5,055)	(21,487)	(5,538)	(20,582)
Development and program expenses	(7,666)	(30,357)	(12,293)	(28,599)
Current operating income	38,911	137,185	42,576	117,956
Other non-recurring income and expenses	-	-	-	-
Operating income	38,911	137,185	42,576	117,956
Cost of net financial debt	(1,709)	(8,707)	(2,382)	(5,779)
Other financial income and expense	-	-	-	-
Income tax	(11,611)	(39,335)	(7,657)	(28,430)
Share of income (loss) of equity affiliates and joint ventures	677	3,894	613	1,120
Net income of the consolidated entity	26,268	93,036	33,149	84,867
Minority interests	5,061	20,065	7,232	25,749
Attributable net income	21,207	72,972	25,918	59,118

*Not approved by the Board of Directors and not audited.

Consolidated balance sheet*

€ thousands

	November 30, 2018	November 30, 2017
ASSETS		
Goodwill	68,661	68,661
Intangible assets	90,017	89,442
Property, plant and equipment	8,407	7,699
Equity affiliates and joint ventures	6,185	14,815
Other non-current financial assets	1,826	2,311
Deferred tax assets	4,233	4,227
Non-current assets	179,330	187,155
Inventories	396,786	384,882
Accounts receivable	406,309	340,142
Other receivables	172,172	198,968
Cash and cash equivalents	253,358	221,065
Prepaid expenses	1,100	1,079
Current assets	1,229,726	1,146,136
TOTAL ASSETS	1,409,056	1,333,291
	November 30, 2018	November 30, 2017
LIABILITIES		
Share capital	5,685	5,479
Additional paid-in capital	168,816	132,670
Attributable net income	72,972	59,118
Attributable shareholders' equity	247,473	197,268
Minority interests	14,282	18,174
Shareholders' equity	261,755	215,442
Non-current provisions	33,402	24,952
Non-current financial liabilities (maturing in > 1 year)	199,652	249,615
Deferred tax liability	42,692	60,105
Non-current liabilities	275,746	334,672
Current provisions	2,265	1,191
Other current financial liabilities (maturing in < 1 year)	3,705	4,541
Accounts payable	705,958	652,012
Other payables	159,199	125,178
Prepaid income	428	255
Current liabilities	871,555	783,177
TOTAL LIABILITIES	1,409,056	1,333,291

*Not approved by the Board of Directors and not audited

◆ Operational data

Housing	Q4 2018	Full year 2018	Q4 2017	Full year 2017
Revenues (€ million, excluding VAT)	406.8	1,293.8	392.9	1,213.7
· Of which apartments	384.9	1,220.8	376.5	1,169.1
· Of which single family homes in communities	22.0	73.0	16.4	44.6
Deliveries (EHUs)	2,386	7,566	2,572	7,843
· Of which apartments	2,292	7,255	2,484	7,619
· Of which single family homes in communities	94	311	88	224
Net orders (number)	3,141	9,122	3,148	9,027
· Of which apartments	2,909	8,613	3,043	8,712
· Of which single family homes in communities	232	509	105	315
Net orders (€ million, including VAT)	638.0	1,871.5	623.4	1,790.1
· Of which apartments	582.9	1,735.7	594.9	1,700.2
· Of which single family homes in communities	55.1	135.8	28.5	89.8
Property supply at the end of the period (in number)	3,781		3,835	
End-of-period backlog	1,960.8		1,670.2	
· In value terms (€ million, excluding VAT)				
- Of which apartments	1,839.7		1,591.5	
- Of which single family homes in communities	121.1		78.7	
· In months of business	18.2		16.5	
End-of-period land reserve (number)	30,116		27,775	

Commercial Property	Q4 2018	Full year 2018	Q4 2017	Full year 2017
Revenues (€ million, excluding VAT)	51.3	254.2	42.4	165.3
Net orders (€ million, including VAT)	13.3	359.5	35.7	144.3
End-of-period backlog (€ million, excluding VAT)	218.3		174.7	