KAUFMAN & BROAD

Press release

Paris, September 28, 2018

RESULTS FOR THE FIRST NINE MONTHS 2018

- ✓ **Strong sales and financial results:**
  - **Further reduction in the take-up period to 6.2 months**
  - **31.8% growth in adjusted EBIT**
- ✓ **Strengthened financial structure:**
  - **Positive net cash position of €36.7 million**
  - **Gross cash in hand of €289.7 million**
- ✓ **Confirmation of annual prospects**

◆ **Key components of sales activity (9m 2018 vs 9m 2017)**

- **Overall orders:**
  €1,579.7 million including VAT (+23.8%)
  - Housing: €1,233.5 million inc. VAT (+5.7%)
    5,981 units (+1.7%)
  - Business property: €346.2 million
- **Take-up period for Housing* :**
  6.2 months vs 6.9 months,
  i.e. -0.7 months

◆ **Key financial data (9m 2018 vs 9m 2017)**

- **Revenues:**
  €1,096.3 million (+15.7%)
  Of which, Housing: €886.9 million (+8.1%)
- **Gross margin:**
  €211.8 million (+16.5%)
- **Adjusted EBIT:**
  €106.3 million (+31.8%)
- **Attributable net income:**
  €51.8 million (+55.9%)
- **Cash net of financial debt:**
  €36.7 million vs €(33.1) million at end 2017
- **Financing capacity:** €389.7 million
  (€314.7 million at end August 2017)

◆ **Key growth indicators (9m 2018 vs 9m 2017)**

- **Overall backlog:**
  €2,093.0 million (+21.1%)
  Of which Housing: €1,822.3 million (+19.1%)
- **Housing property portfolio:**
  29,766 units (+5.7%)

Kaufman & Broad SA announced today its results for the first nine months of the 2018 financial year (from December 1, 2017 to August 31, 2018). Nordine Hachemi, Chairman and Chief Executive Officer of Kaufman & Broad, made the following comments:

"The results for the first nine months of 2018 are consistent with the performance of the 1st half and confirm the quality of the Kaufman & Broad fundamentals. They highlight the ability of its growth model to generate profitability and cash flow, while sustaining its long-term distribution capacity and reinforcing its financial strength and development prospects.

Overall orders in terms of value increased by 23.8% (+5.7% for Housing alone, with a take-up period down again). The increase in the land reserve and order backlog confirm our capacity to sustain long-term growth. In particular, in the Housing segment, the backlog grew by 19.1%, enabling us to continue to rigorously manage our land reserve, which represents more than three years of commercial activity. In a market in which it is still anticipated that sales will fall over the year, these commercial results show that our commercial offer corresponds to customer demand.*

The business property segment also continued to perform extremely well, with net orders of €346.2 million (including VAT).

The 31.8% rise in adjusted EBIT shows our mastery of sales prices and operating expenses. The working capital requirement continues to be managed in an environment of growth in turnover and the order backlog. This results in a reduction in debt of nearly €70 million with respect to end 2017 and a positive net cash position of €36.7 million at the end of August.

All these elements led to a growth in shareholders' equity of close to €246 million at end August 2018 and a financial capacity of close to €390 million, for the most part comprising cash in hand.

The group confirms the forecast growth of its revenue over the whole year as exceeding 10%. Gross margin is expected to remain at about 19%, while adjusted EBIT is expected to increase to about 9%."

calculated over 9 months for each period

Sales activities

✓ **Housing Segment**

In the first nine months of 2018, orders for housing unit orders amounted to €1,233.5 million (including VAT) in value terms, representing an increase of 5.7% compared with the first nine months of 2017. In terms of volume, they increased to 5,981 housing units, up 1.7% over the same period in 2017.

The take-up period for projects was 6.2 months over nine months, improving by 0.7 months compared with the same period of 2017 (6.9 months).

The commercial offer, with 93% of its programs located in areas of strong demand (A, Abis and B1), amounted to 4,142 housing units at the end of August 2018 (4,487 housing units at the end of August 2017).

Breakdown of the customer base

In the first nine months of 2018, orders by first-time buyers remained stable in value terms (excluding VAT) compared to the same period of 2017, representing 18% of sales. Orders by second-time buyers grew by 10%, representing 11% of sales. Orders from investors accounted for 35% of sales (of which 29% only under the Pinel Law tax scheme). The proportion of block sales increased by 58% (accounting for 36% of sales made in the first nine months of 2018). Managed accommodation (tourism, students, business and seniors) accounted for more than 40% of block sales.

✓ **Business property segment**

In the first nine months of 2018, the business property segment registered net orders of €346.2 million, including VAT for one logistics platform and two office property complexes.

Kaufman & Broad signed:

- a sale before completion agreement for the construction of an office building covering approximately 7,000 sq.m at Eurasanté, a health industry cluster developed by the Lille metropolitan authority (municipality of Loos). The building will accommodate the new offices of the l'Etablissement Français du Sang, with which Kaufman & Broad had earlier signed a lease before completion.
- a sale before completion agreement for a business campus at Courbevoie of 24,000 sq.m, organized into three buildings, including a high-rise tower.
- a sale before completion agreement to build a new-generation XXL logistics platform with a total surface area of 74,000 sq.m at MER for DWS (Deutsche Bank Asset Management) after signing a lease before completion with the LAPEYRE Group.

Kaufman & Broad (through its Concerto subsidiary) has also delivered the joint force logistics platform in Châtres of 36,000 sq.m, developed on behalf of GROUPAMA (owner) and the Ministry of Defense (lessee).

Kaufman & Broad is currently marketing or studying approximately 290,000 sq.m of office premises and approximately 200,000 sq.m of logistics premises. In addition, almost 70,000 sq.m of office premises are currently under construction (notably CDC Habitat Paris 13 and ORA Paris 17 delivered in September 2018) and more than 150,000 sq.m of logistics premises.

The business property backlog amounted to €269.4 million at the end of August 2018.

✓ **Forward-looking indicators for the sales and development activity**

The housing backlog amounted to €1,822.3 million (excluding VAT) at August 31, 2018, i.e. 17.1 months of business. Kaufman and Broad had 220 home programs on the market at the same date, representing 4,142 housing units, compared with 238 programs representing 4,487 housing units at the end of August 2017.

The housing property portfolio represents 29,766 units. It is up 5.7% compared with the end of August 2017, and corresponds to more than 3 years of commercial activity.

The Group is planning to launch 54 new programs in the 4th quarter of 2018, including 17 in the Île-de-France Region, which represent 1,682 units, and 37 programs in the French Regions representing 2,852 units.

♦ **Financial results**

✓ **Business volumes**

Total revenues amounted to €1,096.3 million (excluding VAT), up 15.7% compared with the same period of 2017.

Housing revenues amounted to €886.9 million (excluding VAT), compared with €820.8 million (excluding VAT) in the first nine months of 2017. They accounted for 80.9% of the group's revenues. Revenues from the apartments business were up 5.5% compared with the first nine months of 2017, and amounted to €835.9 million (excluding VAT). Revenues from single family homes in communities amounted to €51.0 million (excluding VAT), compared with €28.2 million (excluding VAT) in the same period of 2017.

Revenues from the Commercial property segment totaled €202.8 million (excluding VAT), compared to €122.9 million (excluding VAT) over the same period in 2017.

✓ **Profitability highlights**

The gross margin for the first nine months of 2018 amounted to €211.8 million, compared with €181.8 million in 2017. The gross margin ratio was 19.3%, slightly higher than the level in the same period of 2017 (19.2%).

Current operating expenses amounted to €113.6 million (10.4% of revenues), compared with €106.4 million for the same period of 2017 (11.2% of revenues).

Current operating profit totaled €98.3 million, compared to €75.4 million in the first nine months of 2017. The current operating margin ratio was 9.0%, compared with 8.0% in the same period of 2017.

The Group's adjusted EBIT amounted to €106.3 million in the first nine months of 2018 (compared with €80.6 million in the same period of 2017). The adjusted EBIT margin was 9.7% (compared with 8.5% in the same period of 2017).

Attributable net income amounted to €51.8 million (compared with €33.2 million in the first nine months of 2017).

✓ Financial structure and liquidity

The net cash position was €36.7 million at August 31, 2018, compared with net financial debt of €33.1 million at the end of 2017, representing an improvement of €69.8 million. Cash assets (available cash and investment securities) amounted to €289.7 million, compared with €221.1 million at November 30, 2017. The Group's financing capacity was €389.7 million (€314.7 million at end August 2017).

The working capital requirement amounted to €140.9 million (9.2% of revenues on a 12-month rolling basis), compared with €147.6 million at November 30, 2017 (10.6% of revenues). The tight control over working capital primarily relies on the very short take up period for the Group's programs.

♦ 2018 outlook

The Group believes that its revenue growth should exceed 10% for the 2018 fiscal year. Gross margin is expected to remain at about 19%, while adjusted EBIT is expected to increase to about 9%.

This press release is available at www.kaufmanbroad.fr

♦ Next regular publication date:

- ✓ January 30, 2019: Results for FY 2018 (after the market close)

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About Kaufman & Broad - Kaufman & Broad has been designing, building, and selling single-family homes in communities, apartments, and offices on behalf of third parties for 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.

♦ Glossary

Backlog: Covers, for sales before completion (VEFA): ordered but undelivered housing units; sales for which a notarized deed of sale has not yet been signed; and the incomplete portion of undelivered housing units for which a notarized deed of sale has been signed (for a program that is 30% complete, 30% is accounted for as sales, and 70% remains in the backlog). The backlog is a summary at any given point in time that can be used to estimate the revenue remaining to be recognized in coming months and to confi rm group forecasts – on the understanding that translating the backlog into revenues involves uncertainties, especially for orders that have not yet been offi cially notarized.

Off-plan lease (BEFA): an off-plan lease involves a customer leasing a building before it is even built or redeveloped.

Financing capacity: The positive cash increased by credit facilities not drawn down as at the date

Take-up period: The inventory 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 for the previous units, or the number of housing units (available supply) per quarter divided by the orders for the previous quarter, and divided by three in turn.

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

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

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

Commercial offer: is represented by the total inventory of housing units available for sale at the relevant date, i.e. all housing units that have not been ordered on that date (minus the sales tranches that have not been released for marketing).

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

Orders: measured in volume (units) and in value terms; orders reflect the group's sales activity. Their inclusion in revenues is conditional on the time required to turn an order into a signed and notarized deed, which is the triggering event for booking the income. 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.

Take-up period ratio: the take-up period ratio 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 used to define the number of housing units or equivalent housing units (for mixed programs) in a 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.

Sale before completion: a sale before completion is an agreement via 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 vendor retains project owner powers until the works are accepted.

NOTES

♦ Financial data

Key consolidated data

€ 000s	Q3 2018	9M 2018	Q3 2017	9M 2017
Revenue	319,473	1,096,337	320,264	947,940
· *Of which Housing*	278,093	886,914	282,885	820,820
· *Of which Business Property*	38,973	202,837	35,850	122,866
· *Of which Other*	2,408	6,587	1,529	4,254
Gross margin	61,807	211,843	61,859	181,762
Gross margin ratio (%)	*19.3%*	*19.3%*	*19.3%*	*19.2%*
Current operating profit	26,731	98,273	26,630	75,380
Current operating margin (%)	*8.4%*	*9.0%*	*8.3%*	*8.0%*
Adjusted EBIT*	28,706	106,258	28,498	80,597
Adjusted EBIT margin (%)	*9.0%*	*9.7%*	*8.9%*	*8.5%*
Attributable net income	13,994	51,763	13,049	33,200
Attributable net earnings per share (€/share)**	€0.64	€2.37	€0.63	€1.59

* *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. 20,837,039 shares as at August 31, 2017 and 21,864,074 shares as at August 31, 2018*

Consolidated income statement*

€ 000s	Q3 2018	9M 2018	Q3 2017	9M 2017
Revenues	**319,473**	**1,096,337**	**320,264**	**947,940**
Cost of sales	-257,666	-884,494	-258,405	-766,178
Gross margin	**61,807**	**211,843**	**61,859**	**181,762**
Selling expenses	-8,736	-26,132	-9,196	-27,082
Administrative expenses	-13,906	-48,316	-15,408	-47,949
Technical and after-sales service expenses	-5,329	-16,432	-4,454	-15,044
Development and program expenses	-7,105	-22,691	- 6,171	-16,306
Current operating profit	**26,731**	**98,273**	**26,630**	**75,380**
Other non-recurring income and expenses	-	-	-	-
Operating result	**26,731**	**98,273**	**26,630**	**75,380**
Cost of net financial debt	-1,854	-6,998	-1,266	-3,397
Other financial income and expense	-	-	-	-
Income tax	-7,313	-27,724	-7,407	-20,773
Share of income (loss) of equity affiliates and joint ventures	1,165	3,216	709	507
Net income of the consolidated entity	**18,730**	**66,767**	**18,666**	**51,717**
Non-controlling equity interests	4,735	15,004	5,617	18,517
Attributable net income	**13,994**	**51,763**	**13,049**	**33,200**

Not approved by the Board of Directors and unaudited.

Consolidated balance sheet*

€ 000s	August 31, 2018	November 30, 2017
ASSETS		
Goodwill	68,661	68,661
Intangible assets	90,063	89,442
Property, plant and equipment	7,429	7,699
Equity affiliates and joint ventures	11,290	14,815
Other non-current financial investments	2,637	2,311
Deferred tax assets	4,227	4,227
Non-current assets	**184,307**	**187,155**
Inventory	405,161	384,882
Trade receivables	345,848	340,142
Other receivables	158,876	198,968
Cash and cash equivalents	289,671	221,065
Prepaid expenses	1,566	1,079
Current assets	**1,201,121**	**1,146,136**
TOTAL ASSETS	**1,385,428**	**1,333,291**

LIABILITIES		
Share capital	5,685	5,479
Additional paid-in capital	175,550	132,670
Attributable net income	51,763	59,118
Attributable equity capital	**232,998**	**197,268**
Non-controlling equity interests	12,881	18,174
Shareholders' equity	**245,879**	**215,442**
Non-current provisions	26,228	24,952
Non-current financial liabilities (portion maturing in >1 year)	249,658	249,615
Deferred tax liability	88,063	60,105
Non-current liabilities	**363,950**	**334,672**
Current provisions	1,735	1,191
Other current financial liabilities (portion maturing in <1 year)	3,291	4,542
Trade payables	648,300	652,012
Other payables	121,788	125,177
State - current taxes	-	-
Prepaid income	485	255
Current liabilities	**775,598**	**783,177**
TOTAL EQUITY AND LIABILITIES	**1,385,428**	**1,333,291**

*Not approved by the Board of Directors and unaudited.

♦ Operating data

Housing	Q3 2018	9M 2018	Q3 2017	9M 2017
Revenues (€ million, excluding VAT)	278.1	886.9	282.9	820.8
· *Of which apartments*	262.2	835.9	*272.7*	*792.6*
· *Of which single family homes in communities*	15.8	51.0	*10.2*	*28.2*
Deliveries (EHUs)	1,581	5,180	1,800	5,271
· *Of which apartments*	1,520	4,963	1,746	5,135
· *Of which single family homes in communities*	61	217	54	136
Net orders (number)	1,832	5,981	1,779	5,879
· *Of which apartments*	1,736	5,704	*1,664*	*5,669*
· *Of which single family homes in communities*	96	277	*115*	*210*
Net orders (€ million, including VAT)	369.2	1,233.5	381.9	1,166.7
· *Of which apartments*	341.7	1,152.8	*341.2*	*1,105.3*
· *Of which single family homes in communities*	27.5	80.7	*40.7*	*61.3*
End-of-period commercial offer (number)	4,142		4,487	
End-of-period backlog				
· *In value terms (€ million, excluding VAT)*	1,822.3		1,529.9	
- *Of which apartments*	1,727.0		*1,459.2*	
- *Of which single family homes in communities*	95.3		*70.7*	
· *In months of business*	17.1		15.4	
End-of-period land reserve (number)	29,766		28,167	

Business property	Q3 2018	9M 2018	Q3 2017	9M 2017
Revenues (€ million, excluding VAT)	38.9	202.8	35.8	122.9
Net orders (€ million, including VAT)	-	346.2	108.6	108.6
End-of-period backlog (€ million, excluding VAT)	269.4		194.7	