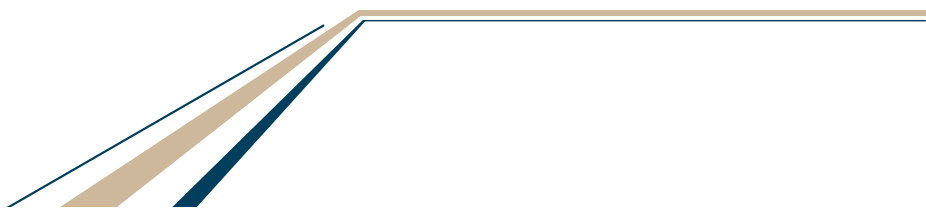


2011 INTERIM FINANCIAL REPORT

KAUFMAN  BROAD





AUTORITÉ  
DES MARCHÉS FINANCIERS

The French language version of Kaufman & Broad SA's 2011 interim financial report was filed with the *Autorité des marchés financiers* (AMF) on July 29, 2010, in accordance with Articles 222-4 and 222-6 of the AMF General Regulations. Copies of this document are available on the websites of Kaufman & Broad SA ([www.ketb.com](http://www.ketb.com)) and AMF ([www.amf-france.org](http://www.amf-france.org)). A copy will be sent free of charge upon request to: Kaufman & Broad - Financial Communications - 127, avenue Charles de Gaulle - 92207 Neuilly-sur-Seine Cedex

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# 1 Persons responsible

## 1.1. PERSON RESPONSIBLE FOR THIS DOCUMENT

### **Guy Nafilyan**

Chairman and Chief Executive Officer of Kaufman & Broad SA

### 1.1.1. Statement by the person responsible for the document

I declare that, to the best of my knowledge, the interim condensed consolidated financial statements have been prepared in accordance with applicable accounting standards and present fairly, in all material respects, the assets, liabilities, financial position and profit or loss of the parent company and of all consolidated companies, and that the interim management report presented on pages 4 to 18 presents fairly, in all material respects, the significant events that have occurred during the first six months of the year and their impact on the financial statements, the main related-party transactions, and the description of the main risks and uncertainties they may face in the second half of the year.

Neuilly-sur-Seine, July 28, 2011

Chairman and Chief Executive Officer

## 1.2. AUDITORS

### 1.2.1. Statutory auditors

#### **ERNST & YOUNG Audit**

Faubourg de l'Arche -11, allée de l'Arche -92037 Paris-La Défense Cedex, France

Represented by Gilles Cohen, first appointed on April 9, 2009. The current term expires at the Shareholders' Meeting to be called to approve the financial statements for the year ending November 30, 2014.

#### **DELOITTE & ASSOCIÉS**

185, avenue Charles de Gaulle -92524 Neuilly-sur-Seine Cedex, France

Represented by Joël Assayah, first appointed on April 9, 2009. The current term expires at the Shareholders' Meeting to be called to approve the financial statements for the year ending November 30, 2014.

### 1.2.2. Alternate auditors

#### **AUDITEX**

Faubourg de l'Arche -11, allée de l'Arche -92037 Paris-La Défense Cedex, France

First appointed on April 9, 2009. The current term expires at the Shareholders' Meeting to be called to approve the financial statements for the year ending November 30, 2014.

#### **B.E.A.S.**

7-9, villa Houssay -92524 Neuilly-sur-Seine Cedex, France

First appointed on April 9, 2009. The current term expires at the Shareholders' Meeting to be called to approve the financial statements for the year ending November 30, 2014.

## 1.3. PERSON RESPONSIBLE FOR FINANCIAL COMMUNICATIONS AND INVESTOR RELATIONS

**Bruno Coche**

Chief Finance Officer

**Kaufman & Broad SA**

127, avenue Charles de Gaulle

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Website: [www.ketb.com](http://www.ketb.com)

### 1.3.1. Information policy

The group's financial statements are reviewed twice yearly by the Statutory Auditors, who conduct a full audit of the annual results and a limited review of the half-year results.

Estimated financial results are published quarterly, according to the following timetable:

- April: first quarter results;
- July: first half results;
- September: third quarter results;
- January: annual results.

## 1.4. INFORMATION INCORPORATED BY REFERENCE

None

# 2 Interim management report

## 2.1. GROUP POSITION

### 2.1.1. Significant data

After experiencing a strong rebound in 2010, which occurred almost as quickly as the onset of the 2008 crisis, the real estate development sector suffered declining sales in first-half 2011. This slowdown in the sector's sales activity led to a decline in new housing sales of 17.2% in the first quarter, which appeared to be continuing into the second quarter. Take-up also slowed in the first half of the year.

This was due to a number of factors:

- a drop in investor sales of almost a third (approximately 32%) due to a reduction in tax benefits in 2011 under the Scellier tax incentive, which made the incentive less attractive. The impact was felt all the more keenly since investor customers accounted for two-thirds of the market in the same period in 2010, compared with just over 56% in the first quarter of 2011;
- at the same time, sales designed to promote home-buying under the zero-interest "plus" loan (*Prêt à Taux Zéro "+"*), proved slower than the downtrend in investor sales, despite their relevance;
- the rise in interest rates that began during the second half of 2010 and accelerated sharply in early 2011 contributed to the reduction in buyers' creditworthiness (20-year rates rose from 3.6% in the first half of 2010 to 4.2% currently). This interest rate rise, combined with a still uncertain economy, continues to hamper second-time homebuyers' return to the market;
- a commercial offer that remained low and insufficient (around 60,000 housing units);
- and lastly, prices that remained high due in part to scant inventory but also to additional costs related to the technical constraints imposed by the LCB (Low Carbon Building) thermal performance standard.

Against this backdrop, Kaufman & Broad's results in the first half were satisfactory, particularly in terms of sales. The group's total

orders for the period were up compared to the first half of 2010, while the market fell by more than 17% in the first half of 2011. For the first half of fiscal 2011, total order value amounted to €731.3 million (including VAT), up 7.3% over the first half of 2010 when it was €681.8 million (including VAT). In the course of 2011, 3,294 housing orders were recorded, compared with 3,265 for the same period in 2010, an increase close to 1%. Value rose 1.6% to €685.9 million (including VAT) versus €675.0 million (including VAT) in 2010. The increase in Kaufman & Broad orders under the "zero-interest plus" ("PTZ +") incentive offset the decline in orders under the "Scellier" incentive.

At the same time, the group's commercial offer was up 37.8%, from 2,154 housing units available for sale at the end of first-half 2010 to 2,968 at May 31, 2011. Meanwhile, 4,325 housing units were put on the market in the first six months of 2011, versus just 3,102 for the same period in 2010. The average twelve-month rolling order cancellation rate remained stable at 22.5%.

At May 31, 2011, Kaufman & Broad had 168 housing programs on the market (33 in Île-de-France and 135 in the Regions), compared with 161 housing programs at May 31, 2010. This slight increase reflects the continued strong performance of the sales programs launched by the group since the beginning of the period. However, this offer is only slowly regaining previous levels, despite the 39.4% increase in the number of housing units offered for sale, primarily because of the still-high average monthly take-up rate of new programs in 2011 (25% in the second quarter).

The renewal of the property portfolio continued favorably. Today it represents almost 18,100 housing units or more than three years of activity. The Housing backlog increased in value by more than 20% to €1.145 billion (excluding VAT).

All financial indicators improved significantly, including gross margin, current operating margin or net financial debt.

### 2.1.2. Significant events during the period (December 1, 2010 to May 31, 2011)

The group purchased a number of non-controlling interests during the first half of the year. It purchased ASA Immo (a company involved in a number of programs in Île-de-France), the equity interest of its associate Elgéa in a program in Île-de-France, and the equity interest of Azur Investissements

in a program in Marseille. It also purchased Fiparimmo companies 1 to 16, which were involved in several programs in southwestern France. The group's total investment was €10 million for a satisfactory rate of return.

### 2.1.3. Key financial data

The following table presents key financial statement items and the main leading indicators for the group for the first two half-years of 2011 and 2010:

<i>(in € thousands)</i>	May 31, 2011	May 31, 2010
Revenues	454,437	385,676
including Housing	437,019	377,979
Gross margin	87,196	65,900
Current operating profit	32,651	19,435
Operating income	32,920	22,641
Income attributable to shareholders	19,646	4,770
Attributable net income	13,654	2,324
Earnings per share (in €)	€0.64	€0.11
Total orders (in value including VAT)	731,289	681,825
Total backlog (in value excluding VAT)	1,174,392	957,705
<b>ASSETS</b>	<b>May 31, 2011</b>	<b>November 30, 2010</b>
Non-current Assets	173,048	174,846
Current Assets	803,205	790,134
Assets classified as held for sale	-	-
<b>TOTAL ASSETS</b>	<b>976,253</b>	<b>964,980</b>
<b>LIABILITIES</b>		
Shareholders' equity	123,988	115,554
Non-current Liabilities	388,598	381,367
Current Liabilities	463,667	468,059
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>976,253</b>	<b>964,980</b>

**Total revenues** in the first half of 2011 amounted to €454.4 million (excluding VAT) versus €385.7 million (excluding VAT) in the first half of 2010. Housing revenues amounted to €437.0 million, compared to €378.0 million in the first half of 2010. Of these revenues, 36.9% was from Île-de-France and 63.1% from the Regions, versus 33.8% from Île-de-France and 66.2% from the Regions in the prior half-year period.

Revenues for the **Apartments** segment stood at €402.0 million or 92.0% of total Housing revenues, versus €313.7 million or 83.0% of total Housing revenues at May 31, 2010.

Revenues for **Single-family Homes in Communities** came in at €35.0 million. This accounts for 8.0% of Housing revenues versus €64.3 million at May 31, 2010 or 17.0% of Housing revenues.

A total of 2,568 equivalent housing units (EHUs) were delivered in the first half of 2011, compared with 2,203 (EHUs) in the same period the previous year.

**Commercial Property** revenues amounted to €12.1 million, versus €1.9 million at May 31, 2010.

At €2.3 million, **Showroom** revenues were stable compared with the first half of 2010 when they amounted to €2.1 million.

At May 31, 2011, Kaufman & Broad's total balance sheet was €976.3 million versus €965.0 million at November 30, 2010. Shareholders' equity was up €8.4 million, from €115.6 million to €124.0 million between the end of fiscal 2010 and the end of the first-half 2011. The Kaufman & Broad group's net financial debt at May 31, 2011 amounted to €67.7 million, down €144.0 million compared to November 30, 2010, when it was €211.7 million. Net financial debt has been reduced by two-thirds over the last 12 months (€220.7 million at May 31, 2010). Gearing or net debt ratio on shareholders' equity was 54.6% at May 31, 2011 versus 241.3% at the end of the first half of 2010 and 183.2% at November 30, 2010.

## 2.2. KEY PERFORMANCE INDICATORS OF THE GROUP

### 2.2.1. Commercial offer

The following table shows the group's development in terms of orders, programs being marketed and number of employees.

	Housing units in inventory at period end <sup>(a)</sup>	Net orders <sup>(b)</sup>	Housing units offered for sale <sup>(c)</sup>	Programs being marketed <sup>(d)</sup>	Number of employees at May 31
May 31, 2011	2,968	3,294	4,325	168	711
May 31, 2010	2,154	3,265	3,102	161	631

(a) Sum of the inventory of housing units available for sale at May 31, i.e., all units that are not covered by orders and have not been delivered at the interim period-end.

(b) Number of orders recorded during a given six-month period, i.e., the number of orders signed by customers during the six-month period less the number of canceled orders at the interim period-end.

(c) Total number of housing units offered for sale at the launch of the sale program for the relevant accounting period.

(d) Number of programs that entered the marketing phase at the end of the period.

### 2.2.2. Orders and backlog

#### 2.2.2.1. Orders

The following table shows the change in orders and backlog in units and in value for the Housing segment for the first quarters of the two fiscal years 2010 and 2011:

	Net number of orders <sup>(a)</sup>	Orders (in € thousands, including VAT)	Deliveries (in EHUs) <sup>(b)</sup>	Backlog (in EHUs)	Backlog (in € thousands, excluding VAT)	Backlog in months of activity <sup>(c)</sup>
<b>Single-family Homes in Communities</b>						
At May 31, 2010						
Q1	144	37,755	124	471	101,389	8.6
Q2	60	23,284	133	428	91,578	7.6
<b>TOTAL</b>	<b>204</b>	<b>61,039</b>	<b>257</b>			
At May 31, 2011						
Q1	9	4,125	76	209	49,918	5.3
Q2	3	1,491	67	145	34,483	4.3
<b>TOTAL</b>	<b>12</b>	<b>5,616</b>	<b>143</b>			
<b>Apartments</b>						
At May 31, 2010						
Q1	1,073	229,493	980	4,626	698,894	10.6
Q2	1,988	384,475	966	5,535	858,296	13.9
<b>TOTAL</b>	<b>3,061</b>	<b>613,968</b>	<b>1,946</b>			
At May 31, 2011						
Q1	1,255	272,243	1,289	5,710	955,590	13.6
Q2	2,027	408,067	1,136	6,602	1,110,116	15.1
<b>TOTAL</b>	<b>3,282</b>	<b>680,310</b>	<b>2,425</b>			

(a) Net number of orders recorded during the relevant period, i.e., the number of orders signed by customers during said period less the number of orders canceled at the end of the period.

(b) The number of Equivalent Housing Units delivered, hereinafter "EHUs" is calculated by program and is equal to (i) the number of units of a given program for which a notarized sale deed has been signed, multiplied by (ii) the ratio between the land expenses and the construction costs incurred by the group for said program and the total budgeted costs for the program. Thus, a unit sold under a program in which 30% of the costs have been incurred would result in 0.3 EHU.

(c) The backlog in months of business equals the product of (i) the ratio between the backlog at the end of month "m" and the sum of revenues (excluding VAT) of the 12 preceding months from m-1 to m-12, multiplied by (ii) 12 (i.e., the previous 12 months of business).

In the first six months of the fiscal year, housing orders were up 1.6% in value from €675.0 million (including VAT) to €685.9 million (including VAT). In terms of volume, 3,294 net orders were booked (+0.9%) versus 3,265 during the same period in 2010. These first-half sales results should be compared to the situation in the new housing market during the period, namely a 17% drop in the first quarter of 2011. They underscore the soundness of the strategy and positioning Kaufman & Broad pursued throughout 2010 and continues to pursue today.

In first-half 2011, 71 new programs were launched, representing 4,670 housing units, versus 52 programs over the same period in 2010, representing 3,929 housing units. This was a 36% increase in the number of new programs compared with the same period in 2010. The commercial offer was up 37.8% from 2,154 lots at May 31, 2010 to 2,968 lots at May 31, 2011. Housing orders for the second quarter were down 0.9% in volume at 2,030, versus 2,048 for the same period in 2010.

In value, the second quarter of 2011 recorded a housing order increase of 0.4% from €407.8 million (including VAT) to €409.6 million (including VAT).

Housing orders in Île-de-France came in at €275.4 million (including VAT) versus €256.7 million (including VAT) at May 31, 2010, an increase of 7.3%. They represented 40.2% of housing orders in value.

In the Regions, housing order value fell 1.9% to €410.5 million (including VAT) versus €418.3 million (including VAT) for the same period in 2010. The Regions accounted for 59.8% of housing orders in first-half 2011 versus 62.0% the previous year.

The following table shows the number and type of housing units ordered by Kaufman & Broad customers in Île-de-France and in the Regions in the first half of fiscal 2011 and 2010 (December 1 to May 31).

At May 31 <i>(in € thousands)</i>	2011			2010		
	Net number of orders	Orders (in € thousands, including VAT)	Average price (in € thousands, including VAT)	Net number of orders	Orders (in € thousands, including VAT)	Average price (in € thousands, including VAT)
<b>Apartments</b>						
Île-de-France	1,050	272,786	259.8	954	214,003	224.3
Other Regions	2,232	407,523	182.6	2,107	399,965	189.8
<b>TOTAL APARTMENTS</b>	<b>3,282</b>	<b>680,309</b>	<b>207.3</b>	<b>3,061</b>	<b>613,968</b>	<b>200.6</b>
<b>Single-family Homes in Communities</b>						
Île-de-France	7	2,656	379.4	147	42,699	290.5
Other Regions	5	2,960	592.0	57	18,340	321.8
<b>TOTAL SINGLE-FAMILY HOMES IN COMMUNITIES</b>	<b>12</b>	<b>5,616</b>	<b>468.0</b>	<b>204</b>	<b>61,039</b>	<b>299.2</b>
<b>TOTAL HOUSING</b>	<b>3,294</b>	<b>685,925</b>	<b>208.2</b>	<b>3,265</b>	<b>675,007</b>	<b>206.7</b>
<b>Commercial Property</b>	<b>0</b>	<b>41,660</b>	<b>-</b>	<b>0</b>	<b>0</b>	<b>-</b>
Other	41	3,704	-	57	6,818	-
<b>TOTAL</b>	<b>3,335</b>	<b>731,289</b>	<b>-</b>	<b>3,322</b>	<b>681,825</b>	<b>-</b>

The average price per housing unit ordered from Kaufman & Broad between the two first-half periods of 2010 and 2011 rose slightly by 0.7%.

In terms of products, the average price of apartments rose by 3.3% and that of single-family homes by 56.4%. Orders for single-family homes fell 94.1% in terms of numbers and 90.8% in terms of value compared to the first half of 2010.

### Orders by geographic area

At May 31	2011			2010		
	Net number of orders	Orders (in € thousands, including VAT)	Average price (in € thousands, including VAT)	Net number of orders	Orders (in € thousands, including VAT)	Average price (in € thousands, including VAT)
Île-de-France	1,058	276,554	261.4	1,131	258,849	228.9
West	314	38,094	121.3	203	29,192	143.8
Southwest	702	110,194	157.0	780	131,074	168.0
Southeast	898	233,386	259.9	666	163,809	246.0
Rhône-Alpes	339	68,827	203.0	459	82,353	179.4
Other Regions	24	4,234	176.4	83	16,547	199.4
<b>TOTAL</b>	<b>3,335</b>	<b>731,289</b>	<b>219.3</b>	<b>3,322</b>	<b>681,824</b>	<b>205.2</b>

*Includes Housing, business premises, land and commercial property.*

Geographically, the Housing segment in Île-de-France recorded a decline of 4.0% in volume but was up 7.3% in value. The Regions were up 3.4% in volume but down 1.9% in value. This reflects the disparity in the average price of housing units ordered in Île-de-France versus the Regions: the average price of housing units ordered in Île-de-France rose 11.8%, from €233,200 to €260,600 in the first half of 2011, while the average price of housing units ordered in the Regions fell 5.1% to €183,500 versus €193,300 for the same period in 2010. The contribution of the Regions to the Housing segment remained high, accounting for 59.8% in value and 67.9% in volume of the total number of group housing orders, compared with 62.0% in value and 66.3% in volume in the first half of 2010.

In the first half of 2011, the Southwest (Toulouse/Bordeaux/Bayonne) accounted for 15.1% of the total number of orders versus 31.9% for the Southeast (Montpellier/Marseille/Toulon/Nice) and 9.4% for Rhône-Alpes (Lyon/Grenoble/Annecy). At the same time, the contribution from Île-de-France fell in value from 38.0% to 37.8% and in volume from 34.0% to 31.7%.

### 2.2.2.2. Backlog

Between November 30, 2010 and May 31, 2011, Housing backlog expanded 10.3% in volume and 12.6% in value. In terms of annual change, Housing backlog rose 13.1% in volume and 20.5% in value. As far as products were concerned, the backlog for apartments in value terms increased 29.3% between May 31, 2010 and May 31, 2011, but declined 62.3% for single-family homes.

There was a contrast in housing order volume between Île-de-France and the Regions from first-half 2010 and first-half 2011. Year-on-year, Île-de-France recorded a decline in orders of 4.0%, while the Regions recorded a rise of 3.4%. This was due to more new programs being launched in the Regions than in Île-de-France. In this regard, it is worth noting that the adjustment measures taken at the end of 2008 had a much stronger impact on commercial inventory in the Regions. At end-2010, the commercial offer comprised 127 programs, representing 1,937 housing units. Île-de-France accounted for 22 programs, representing 341 housing units, while the Regions accounted for 105 programs, representing 1,596 housing units. At May 31, 2011, 168 programs on the market were posted, representing 2,968 housing units. Of these, 33 were in Île-de-France (564 housing units) and 135 in the Regions (2,404 housing units).

Lastly, the average order cancellation rate recorded by the group in the first half of 2011, excluding orders cancelled because of discontinued projects, was 19.6% versus 20.7% for the same period in 2010, a return to more normal levels.

The increase in Housing backlog is due to the renewal of Kaufman & Broad's property portfolio, the redefining of the commercial offer that began in late 2008 (with products benefiting from government support measures) and the group's ability to launch programs in line with housing market requirements. The order portfolio has built up again thanks to fast-paced sales in recent months. The order portfolio represents 14.1 months of business (prior 12-month rolling revenues) versus 12.8 months at May 31, 2010.

#### Backlog by geographic area

##### At May 31

	2011			2010		
	Backlog in volume (in units or EHUs) <sup>(a)</sup>	Backlog (in € thousands, excluding VAT)	Average price (in € thousands, excluding VAT)	Backlog in volume (in units or EHUs) <sup>(a)</sup>	Backlog (in € thousands, excluding VAT)	Average price (in € thousands, excluding VAT)
Île-de-France	2,403	473,556	197.1	2,247	390,579	173.8
West	482	54,389	112.8	307	39,502	128.7
Southwest	1,416	206,572	145.9	1,592	212,206	133.3
Southeast	1,798	323,607	180.0	1,207	208,394	172.7
Rhône-Alpes	659	105,871	160.7	530	79,023	149.1
Other Regions	45	10,397	231.0	155	28,002	180.7
<b>TOTAL</b>	<b>6,803</b>	<b>1,174,392</b>	<b>172.6</b>	<b>6,038</b>	<b>957,706</b>	<b>158.6</b>

*Includes Housing, business premises, land and commercial property.*

*(a) EHU: The number of Equivalent Housing Units delivered applies to housing recognized as revenues under the percentage-of-completion method.*

At the end of the first half of 2011, the Housing backlog in the Regions increased by 16.7% in volume and 20.1% in value over the prior-year period. Île-de-France recorded a rise of 7.2% in volume and 21.0% in value. The increase in the Regions was due to the increased Apartments backlog of 21.3%, or 758 additional units, compared to the end of first-half 2010. This was in part offset by a 75.0% decline (-135 units) in Single-family Homes in Communities. With regard to Île-de-France, the 21.0% increase in value represented a rise of 35.3%

in Apartments and a decline of 61.3% in Single-family Homes in Communities.

The Regions' contribution to the Housing backlog followed a similar trend to orders and accounted for 64.6% in volume and 58.8% in value at May 31, 2011, versus 62.7% in volume and 59.0% in value at May 31, 2010.

At the end of the first half of 2011, the Southwest accounted for 17.6% of the total backlog amount versus 27.6% for the

Southeast and 9.0% for Rhône-Alpes. The contribution of Île-de-France was 40.3% in value, stable relative to the comparable period in 2010. In volume, it was 35.3% versus 37.2% at May 31, 2010.

Lastly, the Housing backlog at May 31, 2011 represented more than one year of Housing revenues and therefore should easily cover the amount of Housing revenues forecast for 2011 and early 2012.

## 2.3. MAIN INCOME STATEMENT ITEMS AND KEY FINANCIAL DATA

### 2.3.1. Key figures

The following table presents key figures of the group's consolidated income statement for the first half of 2010 and 2011.

At May 31 (in € thousands)	1 <sup>st</sup> half 2011	1 <sup>st</sup> half 2010
Revenues	454,437	385,676
Gross margin	87,196	65,900
Current operating profit	32,651	19,435
Operating income	32,920	22,641
Income attributable to shareholders	19,646	4,770
Attributable net income	13,654	2,324
Earnings per share (in €)	€0.64	€0.11

The condensed consolidated financial statements for the period ended May 31, 2011 show a net profit of €13.7 million, compared with a net profit of €2.3 million for the first half of 2010. This increase reflects the improved profitability of new programs launched in the last 12 months with gross margins consistent with the Company's operating criteria. Consolidated gross margin rate stood at 19.2% at May 31, 2011 versus 17.1% for the same period in 2010, an increase of 2.1 points. In 2010, this gross margin rate was still impacted by programs begun prior to the 2008 crisis. In fact, the lowering of the sales price of these housing units, which was intended to accelerate housing sales and thus generate cash flow and reduce debt, weighed negatively on this financial indicator. As of May 31, 2011, gross margin also included the impact of the implementation of IAS 23 relating to the capitalization of borrowing costs. It represented a 0.4 point decline in margin for the first half of 2011 versus an immaterial impact at May 31, 2010 (the year the standard was adopted by the group).

In addition, strict control over operating expenses continued and this continues to have an impact. In the first half of 2011, operating expenses were consistent with the group's business activity and accounted for 12.0% of the group's revenues, as was the case at May 31, 2010.

Operating income improved as a result of reversals net of provisions related to the group's restructuring in 2008 in the face of the crisis (particularly with regard to job protection). It amounted to €32.9 million versus €22.6 million for the first half of 2010.

Net income of consolidated companies was €19.6 million versus €4.8 million at May 31, 2010. This substantial increase was due to the increase in operating income combined with the sharp reduction in the cost of net financial debt, which was halved during the period.

Income attributable to shareholders at May 31, 2011 stood at €13.7 million, up €11.4 million year on year.

### 2.3.2. Management review and analysis

Income statement (in € thousands)	May 31, 2011	May 31, 2010
Revenues	454,437	385,676
Cost of sales	(367,241)	(319,776)
<b>Gross margin</b>	<b>87,196</b>	<b>65,900</b>
Selling expenses	(12,815)	(10,832)
Administrative expenses	(30,319)	(27,177)
Technical expenses and customer service	(7,831)	(7,102)
Other expenses	(3,969)	(2,120)
Other income	389	766
<b>Current operating profit</b>	<b>32,651</b>	<b>19,435</b>
Other non-recurring income	1,095	3,751
Other non-recurring expenses	(826)	(545)
<b>Operating income</b>	<b>32,920</b>	<b>22,641</b>
Financial expenses	(9,335)	(17,620)
Financial income	2,071	565
<b>Cost of net financial debt</b>	<b>(7,264)</b>	<b>(17,055)</b>
<b>Pre-tax income of consolidated companies</b>	<b>25,656</b>	<b>5,586</b>
Income tax (expenses)/income	(6,659)	(378)
<b>Net income of consolidated companies</b>	<b>18,997</b>	<b>5,208</b>
Share of income (loss) of equity affiliates and joint ventures	649	562
Income (loss) from assets held for sale	-	(1,000)
<b>Income (loss) attributable to shareholders</b>	<b>19,646</b>	<b>4,770</b>
Minority interest	5,992	2,446
Attributable net income	13,654	2,324
<b>Earnings per share</b>	<b>€0.64</b>	<b>€0.11</b>

### 2.3.3. Breakdown of revenues and gross margin

The following table shows a breakdown of the number of Equivalent Housing Units (EHUs) delivered, revenues and gross margin by product line in Île-de-France and the Regions for the first six months of fiscal 2011 and 2010:

At May 31 (in € thousands)	2011			2010		
	Deliveries (EHUs)	Revenues	Gross margin	Deliveries (EHUs)	Revenues	Gross margin
<b>Apartments</b>						
Île-de-France	723	136,413	28,553	553	95,844	20,997
Other Regions	1,702	265,628	49,031	1,393	217,848	33,186
<b>TOTAL APPARTEMENTS</b>	<b>2,425</b>	<b>402,041</b>	<b>77,584</b>	<b>1,946</b>	<b>313,692</b>	<b>54,183</b>
<b>Single-family Homes in Communities</b>						
Île-de-France	105	24,997	4,240	118	31,970	5,444
Other Regions	38	9,980	237	139	32,317	3,492
<b>TOTAL SINGLE-FAMILY HOMES IN COMMUNITIES</b>	<b>143</b>	<b>34,977</b>	<b>4,477</b>	<b>257</b>	<b>64,287</b>	<b>8,936</b>
<b>Commercial Property</b>						
Other	29	3,057	1,046	47	3,693	2,040
Showroom	-	2,265	474	-	2,101	420
<b>TOTAL</b>	<b>2,606</b>	<b>454,437</b>	<b>87,196</b>	<b>2,250</b>	<b>385,676</b>	<b>65,900</b>

### 2.3.3.1. Deliveries (EHUs)

The total number of Equivalent Housing Units (EHUs) delivered in the first half of 2011 was up 15.8% over the comparable period in 2010, rising from 2,250 units in 2010 to 2,606 units in 2011. Apartments still accounted for a high proportion of these deliveries and increased from 86.5% in 2010 to 93.1% at end May 2011. Single-family homes, on the other hand, accounted for 5.5% of deliveries, showing a decline in 2011 compared to 2010 (11.4%). Lastly, the Land and building lot segment was down, accounting for 1.1% of deliveries (EHUs) during the first half of 2011, versus 2.1% in 2010. The change in Housing deliveries (Apartments and Single-family Homes in Communities) was up 16.6% between first-half 2010 and first-half 2011. 43% of the increase in delivered housing units was attributable to Île-de-France, where the number of delivered EHUs rose by 157 units, and 57% was attributable to the Regions, with 208 additional units delivered compared to the first half of 2010. Lastly, the contribution of the Regions to the number of deliveries (EHUs) in the Housing segment remained high at 67.8%, but was down slightly compared with May 31, 2010, when it was 69.5%. Deliveries (EHUs) in Île-de-France comprised 32.2% of the Housing segment versus 30.5% in 2010.

### 2.3.3.2. Revenues

Total revenues for the first half of 2011 amounted to €454.4 million (excluding VAT), an increase of 17.8% over the first half of 2010. The group's Housing segment accounted for 88.5% of this increase. Housing revenue was up 15.6% at €437.0 million versus €378.0 million in the first half of 2010. The balance of the increase in revenues by product type came from Commercial Property, which accounted for 14.8% of the increase and went from a contribution to revenues of €1.9 million at May 31, 2010 to €12.1 million at May 31, 2011.

#### 2.3.3.2.1. Apartments segment

Revenues from the Apartments segment were up 28.2% from €313.7 million in the first half of 2010 to €402.0 million in the

same period in 2011. The contribution by Apartments to total revenues rose from 81.3% in first-half 2010 to 88.5% in first-half 2011, a rise of 7.2 points. Apartment revenues in Île-de-France stood at €136.4 million, up 42.3% compared with the same period in 2010 when it was €95.8 million. In the Regions, revenues from Apartments increased 21.9%, from €217.8 million to €265.6 million.

#### 2.3.3.2.2. Single-family Homes in Communities segment

Revenues from Single-family Homes declined 45.6%, from €64.3 million in 2010 to €35.0 million in 2011. Revenues in Île-de-France fell 21.8% to €25.0 million, versus €32.0 million for the first half of 2010. At the same time, the Regions recorded a decline of 69.1% from €32.3 million to €10.0 million during the first half of 2011. The contribution of single-family homes to total revenues was 7.7% at May 31, 2011, compared with 16.7% in 2010. The contribution of Île-de-France to the Single-family Homes segment was 71.5% versus 49.7% in 2010. As for the Regions, they accounted for 28.5% of this segment's revenues versus 50.3% in 2010.

#### 2.3.3.2.3. Commercial Property segment

Commercial Property revenues were up significantly, from €1.9 million to €12.1 million. This increase was primarily due to two new program contracts: one in Marseille ("La Capelette" for €11.0 million) and the other in Saint-Malo ("Pôle Hélios" for €0.9 million).

#### 2.3.3.2.4. Other segment

Revenues from other segment (building lots, sub-contractor fees and Showroom) were down 8.2% from €5.8 million to €5.3 million.

#### 2.3.3.2.5. Revenues by geographic area

The following table shows a breakdown of the number of Equivalent Housing Units (EHUs) delivered, revenues and gross margin by geographic area for the first six months of fiscal 2011 and 2010:

At May 31 (in € thousands)	2011			2010		
	Deliveries (EHUs)	Revenues	Gross margin	Deliveries (EHUs)	Revenues	Gross margin
Île-de-France	828	163,142	33,131	680	129,622	26,743
West	182	22,616	4,376	154	19,156	4,274
Southwest	688	96,902	20,453	540	74,626	14,510
Southeast	558	114,783	20,913	540	104,934	13,262
Rhône-Alpes	313	48,966	9,980	204	33,613	7,814
Other Regions	37	8,028	(1,657)	132	23,439	(831)
Head office	-	-	-	-	286	128
<b>TOTAL</b>	<b>2,606</b>	<b>454,437</b>	<b>87,196</b>	<b>2,250</b>	<b>385,676</b>	<b>65,900</b>

Île-de-France accounted for 35.9% of revenues, the remaining 64.1% coming from the Regions. After Île-de-France, the Southwest (Toulouse/Bordeaux/Bayonne) and Southeast (Marseille/Toulon/Nice/Montpellier) were the two biggest contributors to first-half revenues in 2011, contributing 21.3% and 25.3% respectively. However, the increase in activity of these two regions between first-half 2010 and first-half 2011 differed: the Southwest posted an increase of almost 30% over the period, while the Southeast posted an increase of just under 10%. The West (Nantes/Rennes) experienced growth of 18.1% over the period, taking its contribution to revenues to 5.0% at May 31, 2011. Rhône-Alpes (Lyon/Grenoble/Annecy) accounted for 10.8% of revenues for the first half of 2011, a year-on-year increase of 45.7%. Lastly, the other Regions (Rouen, Strasbourg, Lille) posted a decline in revenues between the two half years 2010 and 2011 to stand at -€15.4 million, with Lille and Strasbourg (markets from which the group withdrew after the 2008 real estate crisis) down €8.6 million, and Rouen down €6.7 million.

### 2.3.3.3. Gross margin

Gross margin was up 32.3% at €87.2 million, compared with €65.9 million in the first half of 2010. At May 31, 2010, gross margin rate was 17.1% and still partially impacted by adjustments made in 2008 and 2009 to the selling price of housing units designed before the crisis. In the first half of 2011, the group returned to a gross margin rate that was close to its standard. It stood at 19.2%, up 2.1 points.

Housing gross margin was up 30.0% at €82.1 million, compared with €63.1 million in the first half of 2010. This increase followed that of the total gross margin, which was up +2.1 points at 18.8% of revenues for first half 2011, compared with 16.7% for the first half of 2010.

In Île-de-France the Housing gross margin rate was 20.3% in the first half of 2011 versus 20.7% in the previous comparable period. This was high, despite a slight decline of 0.4 points. In the Regions, the recovery of the margin was particularly impressive. It stood at 17.9%, compared with 14.7% the previous year. These favorable results were nevertheless tempered by ongoing difficulties with programs in now-closed agencies, such as Lille and Strasbourg, and the co-promoted programs in Marseille which weighed negatively on gross margin rate.

#### 2.3.3.3.1. Apartments segment

The Apartments segment generated gross margin rate of 19.3% compared with 17.3% in the first half of 2010. The increase was in the Regions, where gross margin increased to 18.5% versus 15.2% in the first half of 2010. By contrast, gross margin rate declined in Île-de-France from 21.9% to 20.9% at the end of May 2011. However, this was largely offset by an increase in business volume which generated an additional €7.6 million in the first half of 2011, compared with €21.0 million at May 31, 2010.

#### 2.3.3.3.2. Single-family Homes in Communities segment

Gross margin for the Single-family Homes in Communities segment amounted to €4.5 million at May 31, 2011 versus €8.9 million at the end of first-half 2010, a decline in activity of almost half. Gross margin rate for this segment also declined

from 13.9% in the first half of 2010 to 12.8% over the same period in 2011. This decline was due to the Single-family Homes segment in the Regions, which saw its gross margin rate drop from 10.8% to 2.4%. This was also due to difficulties with the agencies that closed at the end of 2009. By contrast, gross margin remained stable at 17.0% in Île-de-France in the first half of 2011, as it did in the first half of 2010.

#### 2.3.3.3.3. Commercial Property segment

The gross margin of the Commercial Property segment amounted to €3.6 million, compared with €0.3 million for the first half of 2010. This accounted for 29.9% of revenues versus 16.9% for the same period in 2010.

#### 2.3.3.3.4. Other segment

Gross margin of other segment declined over the period, coming in at €1.5 million versus €2.5 million at the end of first-half 2010.

#### 2.3.3.3.5. Gross margin by geographic area

A breakdown of gross margin by geographic area is presented in a table in Section 2.3.3.2.5., "Revenues by geographic area."

The contribution of Île-de-France to the total gross margin recorded during the first half of 2011 was 38%. For its part, the Southwest (Toulouse/Bordeaux/Bayonne) accounted for 23.5% of gross margin. The Southeast (Marseille/Toulon/Nice/Montpellier) was the third largest contributor in first-half 2011, contributing 24.0% to the group's gross margin. Lastly, Rhône-Alpes (Lyon/Grenoble/Annecy) and the West (Nantes/Rennes) contributed 11.4% and 5.0% respectively to the 2011 gross margin.

Of the €21.3 million increase in gross margin between first-half 2010 and first-half 2011, 30% was generated by Île-de-France, 35.9% by the Southeast (Marseille/Toulon/Nice and Montpellier), 27.9% by the Southwest, and 10.2% by Rhône-Alpes. The remainder was generated by the West and other Regions (Lille, Strasbourg and Rouen).

### 2.3.3.4. Current operating profit - Operating margin

**Current operating profit** amounted to €32.7 million, compared with €19.4 million for the first half of 2010.

**Operating expenses** came to €54.5 million or 12.0% of revenues (identical to the situation at end-May 2010), versus €46.5 million in the first half of 2010. The increase in operating expenses of 17.4% compared to the first half of 2010 is consistent with the increase in activity as well as operating objectives for the entire fiscal year.

- **Selling expenses** amounted to €12.8 million compared with €10.8 million for the first half of the previous year, an increase of 18.3%. This increase was due to advertising expenditure related to more housing programs on the market during the period.
- **Administrative expenses** amounted to €30.3 million versus €27.2 million at May 31, 2010, an increase of 11.6% due primarily to the increase in the "Salaries and payroll taxes" and "Rents and rental expenses" items. This latter item

benefited in 2010 from savings related to the renegotiation of the lease on group headquarters and a reduction in office space.

- **Technical expenses and customer service** stood at €7.8 million versus €7.1 million, an increase of 10.3% compared to May 31, 2010, largely due to the increase in salaries and payroll taxes.
- Lastly, **other income and expenses** were up €2.2 million at €3.6 million, compared with €1.4 million in first-half 2010. This increase was essentially related to the item "Amortization, depreciation and provisions net of reversals" (+€0.5 million), expenses for planned programs discontinued in the first half of 2011 (+€0.5 million), and the "Other expenses" item (+€0.8 million).

### 2.3.3.5. Other non-current income and expenses and operating income

The difference between **current operating profit** and **operating income** in the first-half periods of 2010 and 2011 was primarily due to reversals net of provisions: an additional provision was recorded for previously depreciated land in view of the estimated loss on the disposal, and a reversal was recorded in the amount of the unused provision for the job protection plan implemented in 2008.

### 2.3.3.6. Cost of net financial debt

The **cost of net financial debt** stood at €7.3 million versus €17.1 million for the first half of 2010. This reflects the impact of

the substantial reduction in the group's net debt, which dropped from €220.7 million at May 31, 2010 to €67.7 million at end-May 2011. This decline was largely due to the reduction in working capital requirements (including the impact of current tax due) from €141.1 million at May 31, 2010 to €46.4 million, a reduction of €94.7 million over 12 months. The cost of net financial debt also included the balance of the expense related to the deferral of the cash adjustment for hedging instruments (swaps). At May 31, 2010 this expense represented €1.8 million that was incorporated into net financial income, versus €6.3 million at end-May 2010. At May 31, 2011, the amount of the capitalization of financial charges related to the implementation of IAS 23 was €3.0 million versus an insignificant amount (€58,100) at the end of the first half of 2010. Lastly, financial charges included the deferral of arrangement fees regarding the syndicated loan in the amount of €1.2 million.

### 2.3.3.7. Net income

The group generated a **tax liability** of €6.7 million at May 31, 2011 versus €0.4 million at May 31, 2010.

**Minority interest** was up €3.6 million from €2.4 million in 2010 to €6.0 million in 2011.

**Attributable net income** came in at €13.7 million, compared with €2.3 million in the prior half-year period.

**2.3.3.8. Income by operating segment**

<b>May 31, 2010</b> <i>(in € thousands)</i>	<b>Île-de-France</b>	<b>West</b>	<b>South-west</b>	<b>South-east</b>	<b>Rhône-Alpes</b>	<b>Other Regions<sup>(a)</sup></b>	<b>Head office</b>	<b>TOTAL</b>
Revenues	129,621	19,156	74,626	104,934	33,613	23,439	286	385,676
<b>Gross margin</b>	<b>26,743</b>	<b>4,274</b>	<b>14,511</b>	<b>13,262</b>	<b>7,814</b>	<b>(832)</b>	<b>128</b>	<b>65,900</b>
Total current operating expenses and head office reinvoicing	(16,309)	(2,397)	(8,941)	(11,879)	(4,586)	(2,354)	-	(46,465)
<b>Current operating profit</b>	<b>10,434</b>	<b>1,878</b>	<b>5,570</b>	<b>1,384</b>	<b>3,228</b>	<b>(3,186)</b>	<b>128</b>	<b>19,435</b>
Other non-recurring income and expenses	2,964	-	200	(53)	-	560	(466)	3,206
<b>Operating income</b>	<b>13,398</b>	<b>1,878</b>	<b>5,770</b>	<b>1,331</b>	<b>3,228</b>	<b>(2,626)</b>	<b>(338)</b>	<b>22,641</b>
Cost of net financial debt and other financial charges (including head office reallocation)	(3,848)	(871)	(3,859)	(5,684)	(1,339)	(1,453)	-	(17,055)
<b>Pre-tax income of consolidated companies</b>	<b>9,550</b>	<b>1,007</b>	<b>1,910</b>	<b>(4,353)</b>	<b>1,889</b>	<b>(4,079)</b>	<b>(338)</b>	<b>5,586</b>
Income tax (expenses)/income	(2,793)	(306)	337	1,532	(588)	1,440	-	(378)
Share of income (loss) of equity affiliates and joint ventures	143	-	13	19	381	-	6	562
Income (loss) from assets held for sale	-	-	-	-	-	-	(1,000)	(1,000)
Earnings of discontinued activities	-	-	-	-	-	-	-	-
<b>Income (loss) attributable to shareholders</b>	<b>6,900</b>	<b>701</b>	<b>2,260</b>	<b>(2,802)</b>	<b>1,682</b>	<b>(2,639)</b>	<b>(1,332)</b>	<b>4,770</b>
Attributable net income	6,285	768	27	(2,179)	1,391	(2,636)	(1,332)	2,324
Minority interests	615	(67)	2,233	(623)	291	(3)	-	2,446
<b>May 31, 2011</b> <i>(in € thousands)</i>	<b>Île-de-France</b>	<b>West</b>	<b>South-west</b>	<b>South-east</b>	<b>Rhône-Alpes</b>	<b>Other Regions<sup>(a)</sup></b>	<b>Head office</b>	<b>TOTAL</b>
Revenues	163,142	22,616	96,903	114,783	48,966	8,027	-	454,437
<b>Gross margin</b>	<b>33,131</b>	<b>4,376</b>	<b>20,453</b>	<b>20,913</b>	<b>9,980</b>	<b>(1,656)</b>	<b>-</b>	<b>87,196</b>
Total current operating expenses and head office reinvoicing	(19,630)	(3,472)	(10,088)	(13,765)	(5,679)	(1,914)	4	(54,544)
<b>Current operating profit</b>	<b>13,501</b>	<b>903</b>	<b>10,365</b>	<b>7,148</b>	<b>4,301</b>	<b>(3,571)</b>	<b>4</b>	<b>32,651</b>
Other non-recurring income and expenses	305	-	628	157	286	(432)	(675)	270
<b>Operating income</b>	<b>13,806</b>	<b>903</b>	<b>10,993</b>	<b>7,305</b>	<b>4,587</b>	<b>(4,003)</b>	<b>(671)</b>	<b>32,920</b>
Cost of net financial debt and other financial charges (including head office reallocation)	(143)	(398)	(2,627)	(2,165)	(809)	(1,122)	-	(7,264)
<b>Pre-tax income of consolidated companies</b>	<b>13,663</b>	<b>505</b>	<b>8,366</b>	<b>5,140</b>	<b>3,778</b>	<b>(5,125)</b>	<b>(671)</b>	<b>25,656</b>
Income tax (expenses)/income	(4,435)	(158)	(1,708)	(1,028)	(1,108)	1,778	-	(6,659)
Share of income (loss) of equity affiliates and joint ventures	99	117	(22)	11	440	-	4	649
Income (loss) from assets held for sale	-	-	-	-	-	-	-	-
Earnings of discontinued activities	-	-	-	-	-	-	-	-
<b>Income (loss) attributable to shareholders</b>	<b>9,328</b>	<b>464</b>	<b>6,636</b>	<b>4,123</b>	<b>3,110</b>	<b>(3,347)</b>	<b>(667)</b>	<b>19,646</b>
Attributable net income	8,969	416	3,629	2,354	2,299	(3,346)	(667)	13,654
Minority interests	359	47	3,007	1,769	811	(1)	-	5,992

(a) The Other Regions operating segment corresponds to agencies in Lille, Rouen and Strasbourg, plus Commercial Property.

## 2.3.4. Liquidity and capital resources

### 2.3.4.1. Comments on cash flow performance

The group's net cash flow was up €141.7 million, from €138.7 million at May 31, 2010 to €280.4 million at May 31, 2011.

The statement of cash flows for the first six months of 2010 and 2011 is as follows:

<i>(in € thousands)</i>	<b>May 31, 2011</b>	<b>May 31, 2010</b>
Cash flow from operating activities	167,073	78,670
Cash flow from investing activities	(3,871)	(2,794)
Free cash flow	163,202	75,876
Cash flow from financing activities	(21,500)	(27,362)
Increase (decrease) in cash	141,702	48,514
Cash at the beginning of the period	138,695	121,460
Cash at the end of the period	280,397	169,974

#### 2.3.4.1.1. Cash flow from operating activities

Cash flow from operating activities amounted to €167.1 million, comprising €34.1 million in cash flow before borrowing costs and tax, a change in working capital requirements (WCR) of €135.0 million, and €2.0 million in income taxes paid.

The change recorded on the balance sheet in WCR items (excluding current tax due), primarily related to the decrease in activity, can be analyzed as follows:

- inventories declined by €66.5 million;
- account and other receivables were down by €72.7 million;
- trade and other payables fell by €5.1 million.

#### 2.3.4.1.2. Cash flow from investing activities

Cash flow from investing activities amounted to -€3.9 million at May 31, 2011. It corresponded to -€3.0 million for acquisitions of tangible and intangible assets, -€0.4 million for disbursements resulting from the acquisition of financial assets

(essentially related to the early repayment of the €17.1 million Seniors Santé loan for €1.5 million, offset by €1.9 million of deposits and guarantees for a program in Nice) and -€0.4 million for disbursements resulting from changes in scope related to the acquisition of minority interest, particularly the purchase of ASA Immo (see section on significant events during the period).

These transactions, which were related to operations and investing activities, resulted in the generation of positive free cash flow of €163.2 million during the first half of 2011.

#### 2.3.4.1.3. Cash flow from financing activities

Net cash used in financing activities amounted to -€21.5 million, corresponding mainly to the cash flow generated by:

- dividends paid to minority shareholders on their share of earnings for 2011 (-€11.4 million);
- minority interest buybacks for -€2.6 million;
- net financial interest of €7.5 million.

### 2.3.4.2. Net debt

**Gross financial debt** (group share) stood at €351.0 million at the end of first-half 2011, compared with €392.1 million at May 31, 2010, and €352.1 million at November 30, 2010.

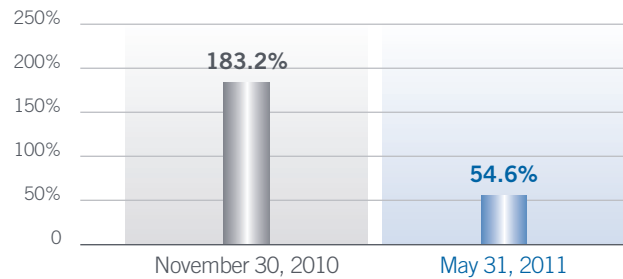
#### 2.3.4.2.1. Change in net financial debt

Net financial debt means gross financial debt less cash and cash equivalents.

Net financial debt



Gearing



The gearing ratio (net financial debt/consolidated shareholders' equity) was 54.6% at May 31, 2011, versus 183.2% at November 30, 2010. This reflects a decline in net debt of €143.9 million, a drop of 68.0% since the November 30, 2010 year-end, as well as an increase in shareholders' equity of €8.4 million.

#### 2.3.4.2.2. Main changes in gross financial debt

(in € thousands)

	May 31, 2011	November 30, 2010
Syndicated credit lines	356,474	356,474
Other borrowings	126	307
Utilized credit facilities	3,521	2,245
Issuance costs	(9,399)	(10,585)
Fair value of derivatives	283	3,675
<b>Total debt</b>	<b>351,005</b>	<b>352,116</b>
- of which non-current	349,750	351,549
- of which current	1,255	567

The change in gross financial debt between November 30, 2010 and May 31, 2011 represented a debt reduction of €1.1 million.

This reduction in gross financial debt is primarily due to:

- financial instruments for €3.4 million;
- the amortization of the arrangement and renegotiation fees of the syndicated loan in the amount of €1.2 million;
- the increase in the overdraft relating to the credit facilities for €1.3 million.

#### Gross financial debt at November 30, 2010 (in € thousands)

352,116

Repayment of syndicated credit lines (Senior B + C)	-
Change in other borrowings	(181)
Change in derivative instruments	(3,392)
Change in issue costs	1,186
Change in credit facilities	1,276
<b>Gross financial debt at May 31, 2011</b>	<b>351,005</b>
Change in gross financial debt at May 31, 2011	(1,111)

The following table shows the group's financial structure at May 31, 2011 since the last fiscal year and changes in the maturity of its debt:

<i>(in € thousands)</i>	May 31, 2011	November 30, 2010
Shareholders' equity	124.0	115.6
<b>Financial debt</b>	<b>351.0</b>	<b>352.1</b>
Debt due within one year	1.3	0.6
Debt due between one and five years	193.3	195.1
Debt due beyond five years	156.5	156.5
<b>Average maturity</b>	<b>4.6 years</b>	<b>5.1 years</b>
of which:		
- Bond issuance costs	(9.4)	(10.6)
- Hedging Instruments	0.3	3.7
- Bilateral credit lines	3.6	2.5
- Senior B + C credit lines	356.5	356.5
Cash & Cash equivalents	283.3	140.4
<b>Net financial debt</b>	<b>67.7</b>	<b>211.7</b>
Off-balance sheet commitments	214.3	248.3

## 2.4. RECENT TRENDS AND OUTLOOK

### 2.4.1. Outlook

#### 2.4.1.1. Market

The new housing market is strongly tied up with the economic and social environment and also remains partly conditioned by continued tax measures. The economy in 2011 remains difficult, weakening the real estate market which was characterized in the first half of 2011 by the following:

##### a) Economic uncertainty with mixed signals:

- upward revision of growth prospects, but a rate still below 2% and subject to jolts in the global economy;
- expectation of lower unemployment, particularly for executives, but employment still fragmented;
- eroded purchasing power as a result of rising prices (inflation) and limits on salary increases.

##### b) Uncertainty about the real estate market:

- chronic shortage of supply, which should sustain prices;
- expected decline in the number of sales in 2011 at around 100,000 housing units versus 115,000 in 2010;
- sharp decline in "Scellier" sales in the first half; 40,000 sales expected in 2011 versus 70,000 in 2010;
- a rise in interest rates, sustainable to date;
- uncertainty about the "Scellier" incentive between now and 2012;
- an excellent reception of the "PTZ +" initiative but appears too limited for lower income homebuyers.

##### c) Uncertainty about political factors

The presidential election in 2012 could be a source of uncertainty, although it seems clear that housing will be one of the campaign issues.

Despite these uncertainties, the housing market still has some positive features, such as:

- France has a deficit of around 800,000 housing units;
- demographic trends are still headed in the right direction;
- investment in "bricks and mortar" is still a priority for the French;
- housing support measures remain strong;
- interest rates are still at historically low levels.

#### 2.4.1.2. Risks and uncertainties

The risks run by the group that could have a significantly adverse impact on its operations, results, financial position and outlook are described in the 2010 Registration Document filed with the AMF on March 31, 2011. The nature and level of risk described in this document have not changed significantly during the half-year.

#### 2.4.1.3. Strategies

The 2011 fiscal year is off to a good start. Provided market conditions remain the same, revenues will record an increase on the order of 10%. Attributable net income is expected to surge by over 100%, boosted by improvement in gross margin, tight control of operating costs and financial charges.

Kaufman & Broad is continuing its strategy of developing housing aimed at first-time buyers and investors who benefit from government support measures. In addition, the group will continue to focus on major cities in France, and particularly in Île-de-France, in an aim to achieve market share of over 10%.

In order to prepare for the future beyond the current fiscal year, Kaufman & Broad has decided to broaden its product range by:

- developing a new range of single-family homes with a more contemporary architectural style, and introducing new technical solutions in response to environmental concerns (wood frames, passive housing, etc.);

- offering housing units for seniors (non-medical accommodation) and student accommodation.

Kaufman & Broad also intends to step up its Commercial Property activity and is planning to create a real estate partnership dedicated to offices.

### 2.4.2. Events after the balance-sheet date

No significant event occurred since the closing date of the interim condensed consolidated financial statements.

## 2.5. ADDITIONAL INFORMATION

<i>(from December 1 to May 31)</i>	2011	2010	2009
<b>Single-family Homes in Communities</b>			
Net orders (in units)	12	204	262
Net orders (in € thousands, including VAT)	5,616	61,039	68,344
Backlog (in € thousands, excluding VAT)	34,483	91,578	88,067
Backlog (in months of business) <sup>(a)</sup>	4.3	7.6	8.4
Deliveries (EHUs)	143	257	220
<b>Apartments</b>			
Net orders (in units)	3,282	3,061	2,036
Net orders (in € thousands, including VAT)	680,310	613,968	366,455
Backlog (in € thousands, excluding VAT)	1,110,116	858,296	581,645
Backlog (in months of business) <sup>(a)</sup>	15.1	13.9	8.3
Deliveries (EHUs)	2,425	1,946	2,335
<b>Commercial Property</b>			
Net orders (in € thousands, including VAT)	41,660	-	-
Backlog (in € thousands, excluding VAT)	23,745	-	3,326

*(a) Calculated in relation to 12-month rolling revenues.*

## 2.6. INFORMATION ON RELATED PARTIES

Note 32 of Section 4.1.6., "Related-party transactions", of the 2010 Registration Document describes the current and regulated agreements entered into by Kaufman & Broad.

No other transaction was conducted with related parties during the first half of 2011.

# 3 Financial statements

## 3.1. CONSOLIDATED FINANCIAL STATEMENTS

The interim condensed consolidated financial statements at May 31, 2011 have been formatted for the purposes of financial reporting; the interim consolidated financial statements that were not included are available at head office.

### 3.1.1. Statement of consolidated comprehensive income

<i>(in € thousands)</i>	Note	May 31, 2011	May 31, 2010
Revenues	(3)	454,437	385,676
Cost of sales		(367,241)	(319,776)
<b>Gross margin</b>	<b>(3)</b>	<b>87,196</b>	<b>65,900</b>
Selling expenses	(4)	(12,815)	(10,832)
Administrative expenses	(5)	(30,319)	(27,177)
Technical expenses and customer service	(6)	(7,831)	(7,102)
Other expenses	(7)	(3,969)	(2,120)
Other income	(7)	389	766
<b>Current operating profit</b>		<b>32,651</b>	<b>19,435</b>
Other non-recurring income	(8)	1,095	3,751
Other non-recurring expenses	(8)	(826)	(545)
<b>Operating income</b>		<b>32,920</b>	<b>22,641</b>
Financial expenses		(9,335)	(17,620)
Financial income		2,071	565
Cost of net financial debt	(9)	(7,264)	(17,055)
<b>Pre-tax income of consolidated companies</b>		<b>25,656</b>	<b>5,586</b>
Income tax (expenses)/income	(10)	(6,659)	(378)
<b>Net income of consolidated companies</b>		<b>18,997</b>	<b>5,208</b>
Share of income (loss) of equity affiliates and joint ventures		649	562
Income (loss) from assets held for sale		-	(1,000)
<b>Income (loss) attributable to shareholders</b>		<b>19,646</b>	<b>4,770</b>
Minority interests		5,992	2,446
Attributable net income		13,654	2,324
Average number of shares		21,360,708	21,333,154
<b>Earnings per share</b>		<b>€0.64</b>	<b>€0.11</b>
<b>Diluted earnings per share</b>		<b>€0.64</b>	<b>€0.11</b>

## 3.1.2. Consolidated net comprehensive income

*(in € thousands)*

	May 31, 2011	May 31, 2010
<b>Income (loss) attributable to shareholders</b>	<b>19,646</b>	<b>4,770</b>
Change in the gross value of derivative instruments	3,392	(5,835)
Tax impact on derivative instruments	(1,168)	2,009
Deferral of fair value of swaps unwound at the end of 2009	1,812	6,291
Tax impact on the swaps unwound at the end of 2009	(580)	(2,153)
Change in actuarial gains and losses	-	-
Tax impact on actuarial gains and losses	-	-
<b>Total gains and losses recognized directly through equity</b>	<b>3,456</b>	<b>312</b>
<b>Consolidated net comprehensive income</b>	<b>23,102</b>	<b>5,083</b>
Attributable	17,110	2,637
Minority interests	5,992	2,446

## 3.1.3. Statement of consolidated financial position

<b>Assets</b> (in € thousands)	<b>Note</b>	<b>May 31, 2011</b>	<b>November 30, 2010</b>
Goodwill	(11)	68,511	68,511
Intangible assets		83,078	82,310
Property, plant and equipment		6,855	5,988
Equity affiliates and joint ventures		6,037	5,359
Other non-current financial assets	(12)	8,567	12,678
<b>Non-current Assets</b>	<b>(13)</b>	<b>173,048</b>	<b>174,846</b>
Inventories	(13)	179,603	246,146
Accounts receivable	(14)	183,737	203,325
Other receivables	(14)	106,574	159,480
Other financial receivables	(14)	11,156	6,189
Current tax	(10)	38,384	33,846
Cash and cash equivalents	(15)	283,262	140,430
Prepaid expenses	(13)	489	718
<b>Current Assets</b>		<b>803,205</b>	<b>790,134</b>
<b>TOTAL ASSETS</b>		<b>976,253</b>	<b>964,980</b>
<b>Liabilities and shareholders' equity</b> (in € thousands)	<b>Note</b>	<b>May 31, 2011</b>	<b>November 30, 2010</b>
Capital stock	(16)	5,612	5,612
Reserves related to capital		979	979
Attributable reserves	(16.2)	110,895	96,467
Other reserves		(10,819)	(13,914)
Attributable net income		13,654	18,063
Impairment of treasury shares		(2,743)	(3,438)
<b>Attributable shareholders' equity</b>		<b>117,578</b>	<b>103,769</b>
Minority interests	(16.3)	6,410	11,785
<b>Shareholders' equity</b>	<b>(16)</b>	<b>123,988</b>	<b>115,554</b>
Provisions	(18)	19,433	20,961
Borrowings and other non-current financial liabilities	(19)	349,750	351,549
Deferred taxes	(10)	19,415	8,857
<b>Non-current Liabilities</b>		<b>388,598</b>	<b>381,367</b>
Other current financial liabilities	(19)	1,255	567
Trade payables		374,854	377,292
Other payables		86,373	88,939
Deferred income		1,185	1,261
<b>Current Liabilities</b>		<b>463,667</b>	<b>468,059</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>976,253</b>	<b>964,980</b>

## 3.1.4. Statement of cash flow

<i>(in € thousands)</i>	Note	May 31, 2011	May 31, 2010
<b>Current operating activities</b>			
Consolidated net income		19,646	4,770
Share of income (loss) of equity affiliates and joint ventures		(649)	(562)
Income from assets held for sale		-	1,000
Estimated income and expenses		1,198	(1,967)
<b>Cash flow after cost of financial debt and tax</b>		<b>20,195</b>	<b>3,241</b>
Cost of net financial debt	(9)	7,264	17,055
Tax liability (income)	(10)	6,659	378
<b>Cash flow before cost of financial debt and tax</b>		<b>34,118</b>	<b>20,674</b>
Tax (paid)/received		(2,043)	8,240
Change in working capital requirements	(20)	134,998	49,756
<b>Cash-flow from operating activities (A)</b>		<b>167,073</b>	<b>78,670</b>
<b>Investing activities</b>			
Acquisition of tangible and intangible assets (net of disposals)		(3,001)	(2,176)
Acquisition of financial assets (net of disposals)		(423)	(445)
Cash flow with equity affiliates and joint ventures		(29)	(173)
Change in the scope of consolidation <sup>(a)</sup>		(418)	-
<b>Cash flow from investing activities (B)</b>		<b>(3,871)</b>	<b>(2,794)</b>
<b>Free cash flow</b>		<b>163,202</b>	<b>75,876</b>
<b>Financing activities</b>			
Distributions to minority interests		(11,367)	(3,182)
Purchase of minority interests		(2,609)	-
Buyback of treasury shares, net of resales		-	83
Net inflows from new borrowings		-	-
Loan repayments		-	(6,431)
Shareholder's advance		-	(8,590)
Net financial interest paid		(7,524)	(9,242)
<b>Cash flow from financing activities (C)</b>		<b>(21,500)</b>	<b>(27,362)</b>
<b>Increase (decrease) in cash (A + B + C)</b>		<b>141,702</b>	<b>48,514</b>
Cash at beginning of year		138,695	121,460
Cash at end of year		280,397	169,974
<b>Increase (decrease) in cash</b>		<b>141,702</b>	<b>48,514</b>
Cash and cash equivalents	(15)	283,262	171,420
Credit facilities	(19.1)	(3,521)	(2,352)
Interest accrued on cash and cash equivalents		656	906
<b>Cash at the end of the period</b>		<b>280,397</b>	<b>169,974</b>

(a) Acquisition of ASA Immo.

## 3.1.5. Statement of change in consolidated shareholders' equity

(in € thousands)

	Number of shares outstanding	Capital	Reserves related to capital	Attributable reserves	Attributable net income	Other reserves	Impairment of treasury shares	Attributable shareholders' equity	Minority interest	Total shareholders' equity
<b>At December 1, 2009</b>	<b>21,584,658</b>	<b>5,612</b>	<b>979</b>	<b>128,580</b>	<b>(29,812)</b>	<b>(18,702)</b>	<b>(4,214)</b>	<b>82,443</b>	<b>6,526</b>	<b>88,969</b>
Allocation of profit or loss	-	-	-	(29,812)	29,812	-	-	-	-	-
Actuarial gains (losses)	-	-	-	-	-	-	-	-	-	-
Change in hedging reserves	-	-	-	-	-	312	-	312	-	312
<b>Gains and losses recognized directly in shareholders' equity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>312</b>	<b>-</b>	<b>312</b>	<b>-</b>	<b>312</b>
Net income at May 31, 2010	-	-	-	-	2,325	-	-	2,325	2,446	4,771
<b>Consolidated net comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,325</b>	<b>312</b>	<b>-</b>	<b>2,637</b>	<b>2,446</b>	<b>5,083</b>
Treasury share transactions	-	-	-	-	-	(322)	405	83	-	83
Share-based payments	-	-	-	-	-	500	-	500	-	500
<b>Total transactions with shareholders</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>178</b>	<b>405</b>	<b>583</b>	<b>-</b>	<b>583</b>
Distributions	-	-	-	-	-	-	-	-	(3,182)	(3,182)
<b>At May 31, 2010</b>		<b>5,612</b>	<b>979</b>	<b>98,768</b>	<b>2,325</b>	<b>(18,212)</b>	<b>(3,809)</b>	<b>85,662</b>	<b>5,790</b>	<b>91,452</b>
<b>At November 30, 2010</b>	<b>21,584,658</b>	<b>5,612</b>	<b>979</b>	<b>96,467</b>	<b>18,063</b>	<b>(13,914)</b>	<b>(3,438)</b>	<b>103,769</b>	<b>11,785</b>	<b>115,554</b>
Allocation of profit or loss	-	-	-	18,063	(18,063)	-	-	-	-	-
Actuarial gains (losses)	-	-	-	-	-	-	-	-	-	-
Change in hedging reserves (deferral of the cash adjustment paid in 2009)	-	-	-	-	-	1,231	-	1,231	-	1,231
Change in hedging reserves for the period	-	-	-	-	-	2,224	-	2,224	-	2,224
<b>Gains and losses recognized directly in shareholders' equity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,455</b>	<b>-</b>	<b>3,455</b>	<b>-</b>	<b>3,455</b>
Net income at May 31, 2011	-	-	-	-	13,654	-	-	13,654	5,992	19,646
<b>Consolidated net comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>13,654</b>	<b>3,455</b>	<b>-</b>	<b>17,109</b>	<b>5,992</b>	<b>23,101</b>
Treasury share transactions	-	-	-	-	-	(999)	695	(304)	-	(304)
Share-based payments	-	-	-	-	-	639	-	639	-	639
Minority interest buybacks	-	-	-	(3,635)	-	-	-	(3,635)	-	(3,635)
<b>Total transactions with shareholders</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(3,635)</b>	<b>-</b>	<b>(360)</b>	<b>695</b>	<b>(3,300)</b>	<b>-</b>	<b>(3,300)</b>
Distributions	-	-	-	-	-	-	-	-	(11,367)	(11,367)
<b>At May 31, 2011</b>	<b>21,584,658</b>	<b>5,612</b>	<b>979</b>	<b>110,895</b>	<b>13,654</b>	<b>(10,819)</b>	<b>(2,743)</b>	<b>117,578</b>	<b>6,410</b>	<b>123,988</b>

## 3.2. NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 3.2.1. Significant events of the period (December 1, 2010 to May 31, 2011)

The group purchased a number of minority interest during the first half of the year. It purchased ASA Immo (a company involved in a number of programs in Île-de-France), the equity interest of its associate Elgéa in a program in Île-de-France, and the equity interest of Azur Investissements in a program in

Marseille. It also purchased the Fiparimmo companies 1 to 16, which were involved in several programs in southwestern France. The group's total investment was €10 million for a satisfactory rate of return.

### 3.2.2. Note 1 - Accounting methods and main valuation assumptions

Pursuant to EU Regulation 1606/2002 of July 19, 2002, the Kaufman & Broad group prepared its consolidated financial statements at May 31, 2011 in accordance with the standards and interpretations published by the International Accounting Standards Board (IASB) as adopted by the European Union and mandatory at the period-end date of these financial statements.

These standards, which are available on the European Commission website ([http://ec.europa.eu/internal\\_market/accounting/ias\\_en.htm](http://ec.europa.eu/internal_market/accounting/ias_en.htm)) include international accounting standards (IAS and IFRS) and the interpretations of IFRIC (International Financial Reporting Interpretations Committee).

The interim condensed consolidated financial statements for the period ended May 31, 2011 have been prepared in accordance with IAS 34 "Interim Financial Reporting," which allows for the presentation of a selection of notes. These interim condensed consolidated financial statements should be read in conjunction with the consolidated financial statements for the fiscal year 2010 (available on the Kaufman & Broad website).

The group has no seasonal activity that would require the presentation of financial information for the 12 month period ending on the date of the interim financial reporting.

The interim condensed consolidated financial statements and the accompanying notes are denominated in euros.

The condensed consolidated financial statements for the period ended May 31, 2011 were approved by the Board of Directors on July 6, 2011.

#### 3.2.2.1. Standards and interpretations

The accounting principles used to prepare the interim condensed consolidated financial statements as of May 31, 2011 are identical to those used for the fiscal year ended November 30, 2010 and presented in the 2010 Registration Document, with the exception of the first application of standards set forth in paragraph 2.2.1.1. that must be applied for the fiscal year beginning on December 1, 2010.

#### 3.2.2.1.1. Standards and interpretations that must be applied to the fiscal year beginning on December 1, 2010

No new standard or interpretation whose application is mandatory for the fiscal year beginning on December 1, 2010 had any impact on the Kaufman & Broad group's financial statements.

These standards are as follows:

- amendment to IFRS 2 "Intra-group transactions for which payment is based on shares and which are paid in cash": mandatory application for fiscal years beginning on or after January 1, 2010;
- IFRIC 19 interpretation "Extinguishing financial liabilities with equity instruments": mandatory application for fiscal years beginning on or after July 1, 2010;
- improvements to IFRS 2009: mandatory application for fiscal years beginning on or after January 1, 2010;
- IFRIC 15 "Agreements for the construction of real estate": mandatory application for fiscal years beginning on or after January 1, 2010.

#### 3.2.2.1.2. Standards and interpretations effective after the balance-sheet date

Subject to final adoption by the European Union, the standards, amendments to standards, and interpretations published by the IASB and listed hereunder must be applied after June 30, 2011:

- amendment to IAS 12 "Deferred tax": recovery of underlying assets (applicable to annual periods beginning on or after January 1, 2012);
- amendment to IFRS 7 "Financial instruments": disclosures (applicable on or after July 1, 2011);
- IFRS 9 "Financial instruments": classification and measurement (applicable to annual periods beginning on or after January 1, 2013);

- IFRS 10 “Consolidated financial statements” (applicable to annual periods beginning on or after January 1, 2013);
- IFRS 11 “Joint arrangements” (applicable to annual periods beginning on or after January 1, 2013);
- IFRS 12 “Disclosure of interests in other entities” (applicable to annual periods beginning on or after January 1, 2013);
- IFRS 13 “Fair value measurement” (applicable to annual periods beginning on or after January 1, 2013);
- IFRS 27 revised “Separate financial statements” (applicable to annual periods beginning on or after January 1, 2013);
- IAS 28 revised “Investments in associates and joint ventures” (applicable to annual periods beginning on or after January 1, 2013).

The group has not adopted any of these new standards or interpretations early and is currently assessing the impacts resulting from the first application of these new texts.

### 3.2.3. Note 2 - Segment information

In accordance with IFRS 8, the segment information presented herein corresponds to the organization of internal reporting provided to group management.

At the beginning of the 2011 fiscal year, the group reorganized the breakdown of its operating segments in accordance with the group’s internal reporting. This new breakdown gives the group a

#### 3.2.2.2. 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 which cannot be accurately valued.

As a result, those estimates and assumptions are made based on past experience and from the expected changes in the markets in which the group operates, or other factors deemed reasonable considering the circumstances. These assessments have an effect on the amounts of the income and expenses and on the book value of the assets and liabilities.

With respect to the preparation of the interim condensed consolidated financial statements, the significant judgments made by management in applying the group’s accounting methods and the key sources of uncertainty regarding estimates are identical to those described in the consolidated financial statements for the year ended November 30, 2010.

level of aggregation that is more appropriate for the markets in which the group’s agencies and/or representatives of key new housing markets in France operate. Data for the 2010 fiscal year are also presented according to this new breakdown.

This new breakdown had no impact on the company’s asset impairment tests at the end of May 2011.

**3.2.3.1. Income by operating segment**

May 31, 2011 (in € thousands)	Île-de-France	West	Southwest	Southeast
Revenues	163,142	22,616	96,903	114,783
<b>Gross margin</b>	<b>33,131</b>	<b>4,376</b>	<b>20,453</b>	<b>20,913</b>
Selling expenses	(4,288)	(846)	(1,433)	(3,726)
Administrative expenses	(5,403)	(1,150)	(3,991)	(3,443)
Technical expenses and customer service	(3,303)	(448)	(908)	(1,764)
Other expenses	(2,749)	(76)	(716)	(2,121)
Other income	10	3	61	39
Reallocation of the share of head office re invoicing	(3,897)	(956)	(3,101)	(2,750)
<b>Current operating profit</b>	<b>13,501</b>	<b>903</b>	<b>10,365</b>	<b>7,148</b>
Other non-recurring income and expenses	305	-	628	157
<b>Operating income</b>	<b>13,806</b>	<b>903</b>	<b>10,993</b>	<b>7,305</b>
Cost of net financial debt	3,489	401	-	576
Reallocation of cost of net financial debt	(3,632)	(799)	(2,627)	(2,741)
<b>Pre-tax income of consolidated companies</b>	<b>13,663</b>	<b>505</b>	<b>8,366</b>	<b>5,140</b>
Income tax (expenses)/income	(4,435)	(158)	(1,708)	(1,028)
Share of income (loss) of equity affiliates and joint ventures	99	117	(22)	11
<b>Income (loss) attributable to shareholders</b>	<b>9,327</b>	<b>464</b>	<b>6,636</b>	<b>4,123</b>
Attributable net income	8,968	417	3,629	2,354
Minority interests	359	47	3,007	1,769

May 31, 2011 (in € thousands)	Rhône-Alpes	Other Regions <sup>(a)</sup>	Head office	Total
Revenues	48,966	8,027	-	454,437
<b>Gross margin</b>	<b>9,980</b>	<b>(1,657)</b>	<b>-</b>	<b>87,196</b>
Selling expenses	(1,240)	(122)	(1,160)	(12,815)
Administrative expenses	(1,727)	(791)	(13,814)	(30,319)
Technical expenses and customer service	(549)	(539)	(320)	(7,831)
Other expenses	(753)	(71)	2,517	(3,969)
Other income	59	5	212	389
Reallocation of the share of head office re invoicing	(1,469)	(396)	12,569	-
<b>Current operating profit</b>	<b>4,301</b>	<b>(3,571)</b>	<b>4</b>	<b>32,651</b>
Other non-recurring income and expenses	286	(432)	(675)	269
<b>Operating income</b>	<b>4,587</b>	<b>(4,003)</b>	<b>(671)</b>	<b>32,920</b>
Cost of net financial debt	504	(837)	(11,397)	(7,264)
Reallocation of cost of net financial debt	(1,313)	(285)	11,397	-
<b>Pre-tax income of consolidated companies</b>	<b>3,778</b>	<b>(5,125)</b>	<b>(671)</b>	<b>25,656</b>
Income tax (expenses)/income	(1,108)	1,778	-	(6,659)
Share of income (loss) of equity affiliates and joint ventures	440	-	4	649
<b>Income (loss) attributable to shareholders</b>	<b>3,110</b>	<b>(3,347)</b>	<b>(667)</b>	<b>19,646</b>
Attributable net income	2,299	(3,346)	(667)	13,654
Minority interests	811	(1)	-	5,992

(a) The "Other Regions" operating segment corresponds to agencies in Lille, Rouen and Strasbourg.

May 31, 2010 (in € thousands)	Île-de-France	West	Southwest	Southeast
Revenues	129,622	19,156	74,626	104,934
<b>Gross margin</b>	<b>26,743</b>	<b>4,274</b>	<b>14,511</b>	<b>13,262</b>
Selling expenses	(3,931)	(480)	(1,418)	(2,810)
Administrative expenses	(4,930)	(842)	(3,384)	(3,541)
Technical expenses and customer service	(3,107)	(289)	(752)	(1,530)
Other expenses	(1,378)	(150)	(1,296)	(1,733)
Other income	33	48	289	202
Reallocation of the share of head office re invoicing	(2,995)	(684)	(2,379)	(2,467)
<b>Current operating profit</b>	<b>10,435</b>	<b>1,877</b>	<b>5,571</b>	<b>1,383</b>
Other non-recurring income	2,964	-	200	-
Other non-recurring expenses	-	-	-	(53)
<b>Operating income</b>	<b>13,399</b>	<b>1,877</b>	<b>5,771</b>	<b>1,330</b>
Cost of net financial debt	1,522	177	(143)	(1,575)
Reallocation of cost of net financial debt	(5,370)	(1,048)	(3,717)	(4,109)
<b>Pre-tax income of consolidated companies</b>	<b>9,551</b>	<b>1,006</b>	<b>1,911</b>	<b>(4,354)</b>
Income tax (expenses)/income	(2,793)	(306)	337	1,532
Share of income (loss) of equity affiliates and joint ventures	143	-	13	19
<b>Income (loss) attributable to shareholders</b>	<b>6,901</b>	<b>700</b>	<b>2,261</b>	<b>(2,803)</b>
Attributable net income	6,286	767	28	(2,180)
Minority interests	615	(67)	2,233	(623)

May 31, 2010 (in € thousands)	Rhône-Alpes	Other Regions <sup>(a)</sup>	Head office	Total
Revenues	33,613	23,439	286	385,676
<b>Gross margin</b>	<b>7,814</b>	<b>(832)</b>	<b>128</b>	<b>65,900</b>
Selling expenses	(1,103)	(589)	(501)	(10,832)
Administrative expenses	(2,121)	(1,154)	(11,205)	(27,177)
Technical expenses and customer service	(457)	(669)	(298)	(7,102)
Other expenses	(121)	377	2,181	(2,120)
Other income	96	10	88	766
Reallocation of the share of head office re invoicing	(880)	(330)	9,735	-
<b>Current operating profit</b>	<b>3,228</b>	<b>(3,187)</b>	<b>128</b>	<b>19,435</b>
Other non-recurring income	-	560	27	3,751
Other non-recurring expenses	-	-	(492)	(545)
<b>Operating income</b>	<b>3,228</b>	<b>(2,627)</b>	<b>(337)</b>	<b>22,641</b>
Cost of net financial debt	167	(864)	(16,339)	(17,055)
Reallocation of cost of net financial debt	(1,506)	(590)	16,340	-
<b>Pre-tax income of consolidated companies</b>	<b>1,889</b>	<b>(4,081)</b>	<b>(336)</b>	<b>5,586</b>
Income tax (expenses)/income	(588)	1,440	-	(378)
Share of income (loss) of equity affiliates and joint ventures	381	-	6	562
Income/loss from assets held for sale	-	-	(1,000)	(1,000)
<b>Income (loss) attributable to shareholders</b>	<b>1,682</b>	<b>(2,641)</b>	<b>(1,330)</b>	<b>4,770</b>
Attributable net income	1,391	(2,638)	(1,330)	2,324
Minority interests	291	(3)	-	2,446

(a) The "Other Regions" operating segment corresponds to agencies in Lille, Rouen and Strasbourg.

**3.2.3.2. Inventory breakdown by operating segment**

<i>(in € thousands)</i>	<b>May 31, 2011</b>	<b>May 31, 2010</b>
Île-de-France	35,075	42,483
West	12,003	7,489
Southwest	54,074	76,458
Southeast	60,977	90,786
Rhône-Alpes	12,480	14,870
Other	4,994	17,198
Head office	-	-
<b>Total</b>	<b>179,603</b>	<b>249,284</b>

Information on other asset and liability segment items is not provided in this segment breakdown since these items are managed either at program level or group level. Furthermore, this information is not provided to the principal operating decision-makers.

**3.2.4. Statement of consolidated comprehensive income****Note 3 - Revenues and gross margin**

<i>(in € thousands)</i>	<b>May 31, 2011</b>		<b>May 31, 2010</b>	
	<b>Revenues</b>	<b>Gross margin</b>	<b>Revenues</b>	<b>Gross margin</b>
Total Apartments	402,041	77,584	313,692	54,183
Total single-family Homes in Communities	34,977	4,477	64,287	8,936
<b>TOTAL HOUSING</b>	<b>437,018</b>	<b>82,061</b>	<b>377,979</b>	<b>63,119</b>
Commercial Property	12,097	3,615	1,903	321
Land & fees	3,057	1,046	3,693	2,040
Showroom	2,265	474	2,101	420
<b>GROSS TOTAL</b>	<b>454,437</b>	<b>87,196</b>	<b>385,676</b>	<b>65,900</b>

The group does not provide services other than those under the contracting authority agreement and there was no significant exchange of goods or services as of May 31, 2011.

**Note 4 - Selling expenses**

<i>(in € thousands)</i>	<b>May 31, 2011</b>	<b>May 31, 2010</b>
Salaries and payroll taxes	3,538	3,010
Advertising expenses and cost of the model areas	8,403	6,678
Rents and rental expenses	39	161
Fees	5	17
Temporary employees	68	206
Recruitment costs	35	15
Vehicle expenses - Travel	328	370
Telephone - EDF - Routine maintenance	18	16
Taxes	354	333
Other expenses	27	26
<b>Total selling expenses</b>	<b>12,815</b>	<b>10,832</b>

Selling expenses amounted to €12.8 million versus €10.8 million at May 31, 2010. This 18.3% increase was largely due to advertising expenses related to the increase in housing programs being marketed during the period.

## Note 5 - General and administrative expenses

<i>(in € thousands)</i>	May 31, 2011	May 31, 2010
Salaries and payroll taxes	17,060	16,229
Rents and rental expenses	2,836	1,928
Fees	2,390	2,766
Taxes	2,301	1,451
Temporary employees	211	224
Recruitment costs	249	219
Vehicle expenses - Travel	1,214	1,029
Information Systems	635	632
Financial information	227	94
Telephone - EDF - Routine maintenance	1,334	1,242
Other expenses	1,862	1,363
<b>Total general and administrative expenses</b>	<b>30,319</b>	<b>27,177</b>

Administrative expenses amounted to €30.3 million versus €27.2 million at May 31, 2010, a rise of 11.56% primarily due to the increase in the items "Salaries and payroll taxes" (related to the expanding workforce) and "Rents and rental expenses."

## Note 6 - Technical expenses and customer service

<i>(in € thousands)</i>	May 31, 2011	May 31, 2010
Salaries and payroll taxes	6,653	6,308
Fees	38	9
Taxes	156	128
Recruitment costs	188	28
Temporary employees	119	125
Vehicle expenses - Travel	630	452
Telephone - EDF - Routine maintenance	36	23
Other expenses	11	29
<b>Total technical and customer service expenses</b>	<b>7,831</b>	<b>7,102</b>

Technical and customer service expenses amounted to €7.8 million versus €7.1 million at May 31, 2010, up 10.3%. This was primarily due to the increase in salaries and payroll taxes related to the expanding workforce.

## Note 7 - Other income and expenses

<i>(in € thousands)</i>	May 31, 2011	May 31, 2010
Fees	65	77
Expenses on discontinued programs	785	270
Amortization, depreciation and provision expenses (net of reversals)	720	229
Bank fees	727	713
Other expenses	1,672	831
<b>Total other expenses</b>	<b>3,969</b>	<b>2,120</b>
Sale of services	(389)	(766)
<b>Total income</b>	<b>(389)</b>	<b>(766)</b>

Other expenses amounted to €4 million, versus €2.1 million at May 31, 2010, an increase primarily attributable to the item "Other expenses" which essentially derived from convictions following disputes with suppliers.

All of the amortization expense was recognized as other expenses.

<i>(in € thousands)</i>	May 31, 2011	May 31, 2010
Increases on intangible assets	667	1,060
Increase on property, plant and equipment	844	783
<b>Total amortization expense</b>	<b>1,511</b>	<b>1,843</b>

**Note 8 - Other non-recurring income and expenses**

<i>(in € thousands)</i>	<b>May 31, 2011</b>	<b>May 31, 2010</b>
Other provisions	227	456
Reversal of provision for job protection plan	835	85
NAV of sold assets	33	50
Land impairment provisions	-	3,160
<b>Total other non-recurring income</b>	<b>1,095</b>	<b>3,751</b>
Land impairment provisions	779	-
Goodwill impairment	-	500
Fees and costs	5	-
Accelerated amortization of fixed assets	42	45
NAV of sold assets	-	-
<b>Total other non-recurring expenses</b>	<b>826</b>	<b>545</b>

**Note 9 - Cost of net financial debt**

<i>(in € thousands)</i>	<b>May 31, 2011</b>	<b>May 31, 2010</b>
Financial expenses	9,335	17,620
Financial income	(2,071)	(565)
<b>Cost of net financial debt</b>	<b>7,264</b>	<b>17,055</b>

**Note 9.1 - Financial expenses**

<i>(in € thousands)</i>	<b>May 31, 2011</b>	<b>May 31, 2010</b>
Expenses for deferral over the period of the balancing cash adjustment	1,813	6,290
Interest expense on swaps	1,404	2,277
Interest on syndicated loans and deferral expenses for arrangement fees	8,194	8,048
Capitalization of financial expenses - IAS 23	(2,972)	(58)
Other	896	1,063
<b>Financial expenses</b>	<b>9,335</b>	<b>17,620</b>

Financial expenses mainly relate to the use of syndicated lines of credit for an average of €356 million over the period, corporate lines of credit, financing underwritten directly by the SCIs (real estate companies) responsible for the programs (where applicable), and bank overdrafts.

Through the application of the annualized percentage rate, financial charges include the amortization of the syndicated loan arrangement fee in the amount of €1.2 million and the balance of the deferral expense related to the balancing cash adjustment made in 2009 at the time the interest rate swap contracts were terminated for the amount of €1.8 million, recognized in the first half of 2011.

**Note 9.2 - Financial income**

<i>(in € thousands)</i>	<b>May 31, 2011</b>	<b>May 31, 2010</b>
Gain from sale on money-market SICAV	527	218
Accrued income on the Seniors Santé loan	433	-
Other income from cash and cash equivalents	1,111	347
<b>Financial income</b>	<b>2,071</b>	<b>565</b>

Financial income comprised:

- gains from sale on money-market SICAV;
- income from financial instruments amounting to €0.4 million versus €0.3 million in the first half of 2010;
- late payment penalties invoiced to homebuyers in the amount of €0.7 million in the first half of 2011;
- accrued income on the loan granted to Seniors Santé in the amount of €0.4 million.

## Note 10 - Tax liability

### Note 10.1 - Breakdown of the tax liability

The share of net income of affiliates is shown on a pre-tax basis. The corresponding tax liabilities are included in the group's tax liability. Tax is calculated on the group's share of income.

<i>(in € thousands)</i>	May 31, 2011	May 31, 2010
Current tax liability/(income)	(2,575)	-
Surcharges	-	-
Tax risk provision/liability	724	-
Tax liability/(income) on bonus shares	90	-
Deferred taxes	8,420	378
<b>Total tax liability/(income) for the period</b>	<b>6,659</b>	<b>378</b>

The group has an estimated tax loss for the period of €4.9 million. Current tax income was recognized under the carry back for this loss.

### Note 10.2 - Tax proof

Deferred tax is calculated on the basis of statutory tax rates, i.e., 34.43% for 2011 and the following years.

The reconciliation between the theoretical tax calculated on the basis of the French statutory tax rates and the effective tax liability is as follows:

<i>(in € thousands)</i>	May 31, 2011	May 31, 2010
Pre-tax income of consolidated companies	25,656	5,586
Applicable tax rate	34.43%	34.43%
<b>Theoretical tax liability/(income)</b>	<b>8,833</b>	<b>1,901</b>
Tax on share of income (loss) of equity affiliates	223	150
Tax reversals on minority interest	(2,063)	(842)
Impact of permanent differences	(334)	(831)
<b>Group tax liability/(income)</b>	<b>6,659</b>	<b>378</b>

Permanent differences primarily include a tax saving of -€1.2 million generated by the group's Belgian subsidiary in respect of 2011, a reduction in tax savings recognized for prior years and which the group does not think it can use amounting to €4.2 million, the tax saving related to the short-term capital loss recognized on the sale of shares in subsidiaries amounting to -€3.8 million, and other non-deductible expenses for €0.5 million.

The share of the income/loss of equity affiliates is presented before taxes in the income statement because of the fiscally transparent character. The corresponding tax liabilities are included in the group's tax liability. In addition, the group's tax liability does not include the portion for minority interests as the subsidiaries in question are also fiscally transparent.

### Note 10.3 - Current and deferred taxes

The assets and liabilities of current and deferred taxes are as follows:

<i>(in € thousands)</i>	May 31, 2011	May 31, 2010
Current tax	38,384	33,846
Deferred tax liabilities	(19,415)	(8,857)
Deferred tax assets	-	-
<b>Balance at the end of the period</b>	<b>18,969</b>	<b>24,989</b>

Income from the group's tax consolidation has been in deficit since fiscal 2009. The entire deficit generated in fiscal 2010 was the subject of a carry-back request, as was the case in 2009.

The current tax receivable at the end of May 2011 in the amount of €38.4 million includes:

- carry-back requests for €32.8 million in respect of fiscal 2009 and €3.2 million in respect of fiscal 2010;
- a carry-back receivable of €1.7 million for the first half of 2011, after estimated underlying earnings revealed an additional deficit of €4.9 million.

Deferred taxes changed as follows:

<i>(in € thousands)</i>	May 31, 2011	May 31, 2010
<b>Balance at the beginning of the period of deferred tax assets/(liabilities)</b>	<b>(8,857)</b>	<b>952</b>
Recognized in income (expense)/income <sup>(a)</sup>	(8,420)	(9,153)
Recognized in equity	(1,749)	(2,343)
Other changes <sup>(b)</sup>	(389)	1,687
<b>Balance at the end of the period of deferred tax assets/(liabilities)</b>	<b>(19,415)</b>	<b>(8,857)</b>

(a) This expense at May 31, 2011 includes the impairment of previously recognized assets in the amount of €4.2 million (see Note 10.2).

(b) Other changes mainly correspond to a reclassification of current and deferred tax.

### 3.2.5. Statement of financial position - Assets

#### Note 11 - Non-current assets

The group conducted a review at May 31, 2011 of impairment indicators relating to goodwill and non-current assets. No impairment indicators were identified at May 31, 2011. The conclusions expressed at November 30, 2010 therefore remain valid.

#### Note 12 - Other non-current financial assets

<i>(in € thousands)</i>	May 31, 2011	November 30, 2010
Long-term loans	5,209	11,875
Security deposits and bonds	3,358	803
<b>Non-current financial assets</b>	<b>8,567</b>	<b>12,678</b>

The long-term loans primarily correspond to the portion at more than one year, namely €5.2 million of a €15.8 million loan granted to Seniors Santé when this holding was sold.

#### Note 13 - Inventories

<i>(in € thousands)</i>	May 31, 2011			November 30, 2010		
	Gross	Write-down	Net	Gross	Write-down	Net
New projects	17,018	(362)	16,656	14,057	(328)	13,729
Current programs	168,412	(5,465)	162,947	237,678	(5,261)	232,417
<b>Total</b>	<b>185,430</b>	<b>(5,827)</b>	<b>179,603</b>	<b>251,735</b>	<b>(5,589)</b>	<b>246,146</b>

<i>(in € thousands)</i>	November 30, 2010	Expenses	Reversals	May 31, 2011
New projects	328	34	-	362
Current programs	5,261	974	770	5,465
<b>Total</b>	<b>5,589</b>	<b>1,008</b>	<b>770</b>	<b>5,827</b>

## Note 14 - Account receivables and other receivables

(in € thousands)

	May 31, 2011			November 30, 2010		
	Gross	Write-down	Net	Gross	Write-down	Net
Account receivables	185,554	(1,817)	183,737	205,306	(1,981)	203,325
State VAT	85,629	-	85,629	102,467	-	102,467
Advances and down payments	488	(120)	368	645	-	645
Current associate accounts	11,433	-	11,433	10,971	-	10,971
Other <sup>(a)</sup>	12,696	(3,552)	9,144	48,644	(3,247)	45,397
Other receivables	110,246	(3,672)	106,574	162,727	(3,247)	159,480
Other financial receivables <sup>(b)</sup>	11,156	-	11,156	6,189	-	6,189
Current tax <sup>(c)</sup>	38,384	-	38,384	33,846	-	33,846
Prepaid expenses	489	-	489	718	-	718
<b>Total</b>	<b>345,829</b>	<b>(5,489)</b>	<b>340,340</b>	<b>408,786</b>	<b>(5,228)</b>	<b>403,558</b>

(a) Since 2010 the provision has included the collectability risk on a past due loan granted to an affiliate for €1.1 million.

(b) The other financial receivables represent non-current provisions on the loan granted to Seniors Santé.

(c) See Note 10.3.

All account and other receivables, excluding the current tax receivable, mature in less than one year. During the period, there were no significant impairment provisions for trade and other receivables.

### Account receivables

According to our standard terms of payment, calls for funds are payable immediately upon receipt. As of May 31, 2011, the calls for funds by age were as follows:

between 0 and 30 days	€33.4 million
between 30 and 60 days	€3.7 million
between 60 and 90 days	€3.6 million
more than 90 days	€6.7 million
<b>Total cash calls</b>	<b>€47.4 million</b>

The difference between net account receivables of €183.7 million and the outstanding cash calls of €47.4 million (after impairment), i.e. €136.3 million, corresponds to the lag between the contractual

cash calls for funds and the revenues recognized for completion of the programs. Receivables corresponding to that difference are posted exclusive of tax. The civil-law notary drafting the deed of sales is generally required to ensure that the financing of the sale is closed upon the execution of the deed. Therefore, provisions for trade receivables are rare.

Receivables beyond 90 days essentially include payment delays on cash calls on lots not yet delivered to buyers. Receivables on which the group believes there is a risk of non-collection are provisioned in the amount of €1.8 million.

## Note 15 - Cash and cash equivalents

The Kaufman & Broad group's cash and cash equivalents break down as follows:

(net value in € thousands)

	May 31, 2011	November 30, 2010
	Total	Total
Cash and amounts available at banks	55,057	81,694
Short-term investments <sup>(a)</sup>	226,110	55,162
Order balances <sup>(b)</sup>	2,095	3,574
<b>Cash and cash equivalents</b>	<b>283,262</b>	<b>140,430</b>

(a) Short-term investments comprised money-market SICAV and certificates of deposit.

(b) Order balances were €2.1 million at May 31, 2011. They represented 5% of deposits paid by clients when the order contract is signed into a blocked bank account. They will be released and therefore available once the signature of the deed of sale has been notarized.

**3.2.6. Statement of financial position - Liabilities****Note 16 - Shareholders' Equity**

As of May 31, 2011, Kaufman & Broad's capital stock amounted to €5,612,011.08, subdivided into 21,584,658 shares of common stock each with a par value of €0.26. At May 31, 2011, the average weighted number of outstanding shares was 21,360,708.

**Note 16.1 - Treasury shares**

At May 31, 2011, the group held 209,996 shares, none of which was held under a liquidity agreement. As of November 30, 2010, the group held 255,096 shares including 4,100 shares under a liquidity agreement.

**Note 16.2 - Dividends**

Pursuant to agreements signed with its banking partners in early 2009, Kaufman & Broad agreed not to distribute dividends for the years 2009, 2010 and 2011.

**Note 16.3 - Minority interests**

As of May 31, 2011, minority interests posted to the balance sheet in the amount of €6.4 million pertained to 140 companies. The total amount of debtor minority interests amounted to €2.4 million.

At November 30, 2010, minority interests posted to the balance sheet in the amount of €11.8 million pertained to 170 companies. The total amount of debtor minority interests amounted to €2.8 million.

For fiscal 2011, the amount of €3.6 million was recognized for the buyback of minority interests. The difference between the price paid and the corresponding reduction in minority interests was recognized as group attributable equity.

**Note 17 - Share-based payments**

Under the bonus share plan of February 13, 2009, 41,000 bonus shares were definitively allotted on February 17, 2011 at the end of the vesting period and were delivered.

Under the authority of the Shareholders' Meeting of April 9, 2009, the Board of Directors, at its meeting of February 17, 2011, granted 36,000 additional bonus shares.

The bonus share plans generated an expense of €640,000 over the year, recognized through equity and detailed below:

<i>(in € thousands)</i>	<b>Plan Feb. 13, 2009</b>	<b>Plan July 8, 2009</b>	<b>Plan Jan. 20, 2010</b>	<b>Plan Feb. 17, 2011</b>	<b>Total</b>
Initial valuation	266	1,565	902	762	3,495
Expense for the fiscal year	22	297	214	107	640

**Note 18 - Provisions**

Provision can be analyzed as follows:

<i>(in € thousands)</i>	<b>November 30, 2010</b>	<b>Expenses</b>	<b>Reversals used</b>	<b>Reversals not used</b>	<b>May 31, 2011</b>
Provisions for end of career indemnities	1,600	-	-	-	1,600
Provisions for associated risks	10,084	692	102	145	10,529
Provision for tax risk	1,282	-	514	-	768
Provision for expenses	283	-	-	63	220
Provisions for restructuring	1,480	-	274	841	365
Provisions for commercial and legal risks	1,150	480	228	152	1,250
Provisions for other risks	5,083	825	755	452	4,701
<b>Provisions</b>	<b>20,962</b>	<b>1,997</b>	<b>1,873</b>	<b>1,653</b>	<b>19,433</b>

The provision for associated risks covers the risk related to partner defaults and includes the risk associated with recovering equity interests from debtor partners of jointly promoted programs in the amount of €6.4 million. As the assessment of this risk has remained unchanged since the end of fiscal 2010, this provision was retained at May 31, 2011.

A provision for restructuring charges had been recognized in the financial statements at November 30, 2008 primarily to meet the Company's employee commitments. In fiscal 2011 this provision was reduced by the amount of expenses settled during the period and non-utilized write-backs of €0.8 million.

This provision was €0.4 million at May 31, 2011, reflecting the balance on outstanding expenses as well as expenses incurred during fiscal 2009 for labor disputes related to the job protection plan.

The provision for commercial and legal risks primarily covers disputes with former group employees and amounted to €0.6 million.

The provision for other risks essentially covers ongoing disputes with customers or suppliers of delivered projects and amounted to €4.7 million.

## Note 19 - Borrowings and other financial liabilities

### Note 19.1 - Gross financial debt by type

Gross financial debt represents:

- long-term and short-term financial liabilities;
- hedging instruments related to liabilities comprising the gross financial debt;
- interest accrued on balance sheet items that form gross financial debt.

<i>(in € thousands)</i>	May 31, 2011	May 31, 2010
Syndicated bank credit lines	356,474	356,474
Other borrowings	126	307
Utilized credit facilities	3,521	2,245
Issuance costs	(9,399)	(10,585)
Fair value of derivatives	283	3,675
<b>Total debt</b>	<b>351,005</b>	<b>352,116</b>
- of which non-current	349,750	351,549
- of which current	1,255	567

At May 31, 2011, the group had a syndicated bank line of credit amounting to €356.5 million, a situation unchanged from November 30, 2010.

The Senior Facilities Agreement, as it results from the agreement signed by the Company and its lenders on January 23, 2009 and from the supplemental agreements signed on June 30, 2009 and November 25, 2009, stipulates that:

1. Keeping the B (200 million) and C (201.5 million) credit lines and the revolving credit line (175 million) "as is": with unchanged amounts, interest rates and maturity;
2. Adjustment of financial ratios:

In the following accounting quarters until the expiration of the agreement in 2016, the group will be required to comply with three ratios, calculated on a consolidated basis, with levels defined as follows:

Ratios	May 2011	Aug. 2011	Nov. 2011	Nov. 2012	Nov. 2013	Nov. 2014	Nov. 2015	May 2016
Debt ratio	< 8.50	< 7.50	< 6.40	< 5.10	< 3.70	< 3.00	< 2.00	< 1.50
Net Financial Expenses Cover ratio	> 1.10	> 1.20	> 1.30	> 1.80	> 2.50	> 3.50	> 4.50	> 5.00
Minimum cash flow level <i>(in € millions)</i>	103	108	121	212	333	445	545	585

3. Suspension of dividend distribution for at least three fiscal years: the company will not be able to distribute dividends during the 2011 fiscal year, and from fiscal 2012 will only be able to distribute dividends if the debt ratio is equal to or less than three.
4. Restriction related to acquisitions and in particular to the acquisition of stakes which could be made by the group, with the requirement to obtain the unanimous agreement of all lenders for any financing of such acquisitions through debt.

Amendment No. 5 signed on March 10, 2010 modified the financial definitions of EBITDA, cash flow and net cash interest stipulated by the Senior Facilities Agreement in order to neutralize the effects of IAS 23 (Borrowing Costs) on these ratios and to ensure for the financial parties the same protection they received under the contract before the application of this standard.

## Covenant details at May 31, 2011

Ratios at May 31, 2011	Threshold	May 2011
Debt ratio	< 8.50	1.14
Net financial expenses cover ratio	> 1.10	4.01
Minimum cash flow level (in € millions)	103	462

## Note 19.2 - Maturity table

(in € thousands)	May 31, 2011	Maturity Less than 1 year	Maturity 1 to 5 years	Maturity More than 5 years
Syndicated credit lines <sup>(a)</sup>	356,474	-	200,000	156,474
Credit facilities utilized	3,521	3,521	-	-
Other borrowings	126	116	10	-
Issuance costs	(9,399)	(2,372)	(7,027)	-
Fair value of derivatives	283	(10)	293	-
<b>Total debt</b>	<b>351,005</b>	<b>1,255</b>	<b>193,276</b>	<b>156,474</b>

(a) The syndicated bank credit lines set up in 2007 mature on July 10, 2014 for the RCF line (↔175 million), July 10, 2015 for the Senior B line (↔200 million), and July 10, 2016 for the Senior C line (↔156 million).

The annualized percentage rate covering the interest on this debt, and taking into account amortization of the €1.2 million incurred in issue fees, is 5.165%.

## Note 19.3 - Main constitutive elements of net financial debt

Net financial debt is comprised of the 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)	May 31, 2011	November 30, 2010
<b>Total debt</b>	<b>351,005</b>	<b>352,116</b>
Cash and cash equivalents	283,262	140,430
<b>Net financial debt</b>	<b>67,743</b>	<b>211,686</b>

## Note 19.4 - Change in gross financial debt

(in € thousands)	Total
<b>Gross financial debt at November 30, 2010</b>	<b>352,116</b>
Change in other borrowings	(181)
Change in the fair value of derivative instruments	(3,392)
Charging of issue costs	1,186
Change in credit facilities	1,276
<b>Gross financial debt at May 31, 2011</b>	<b>351,005</b>

## 3.2.7. Additional information

## Note 20 - Notes to the statement of cash flow

## Details of the change in operating working capital requirements

(in € thousands)	November 30, 2010	Change in WCR	Change in consolidation scope	Other changes <sup>(a)</sup>	May 31, 2011
Inventory	246,146	(66,543)	-	-	179,603
Account receivables	203,325	(19,588)	-	-	183,737
Trade payables	(377,292)	1,626	-	812	(374,854)
Other operating assets and liabilities	69,998	(50,493)	-	-	19,505
<b>Net working capital requirements</b>	<b>142,177</b>	<b>(134,998)</b>	<b>-</b>	<b>812</b>	<b>7,991</b>

(a) Other changes correspond to the balance of a transaction of minority interest buybacks recognized as trade payables to be settled by November 30, 2011.

The change in operating working capital requirements (excluding current taxes) for the period amounted to -€134.2 million compared with November 30, 2010. This improvement was largely due to the decline in inventory (particularly inventory that

benefited from price reductions on housing under programs developed in 2007 and for the most part aimed at short-term delivery), the limited amount of new construction and healthy sales of newly launched programs.

## Note 21 - Off-Balance sheet commitments

As of May 31, 2011, Management considered that, to the best of its knowledge, there was no commitment likely to have a material impact on the Kaufman & Broad group's current or future financial position, except as indicated in this note. Covenant details are provided in Note 19 of this appendix.

### Note 21.1 - Commitments given

#### Guarantees and bonds given

All items detailed below are related to the normal course of our operations.

(in € thousands)

	May 31, 2011	Schedule			November 30, 2010
		Less than 1 year	1 to 5 years	More than 5 years	
Performance bonds <sup>(a)</sup>	129,389	129,389	-	-	162,897
Hoguet Act guarantees <sup>(b)</sup>	220	-	220	-	220
Reservation indemnities <sup>(c)</sup>	13,974	11,501	2,473	-	9,425
Other guarantees given <sup>(d)</sup>	70,693	68,612	2,081	-	75,713
<b>Guarantees and bonds given</b>	<b>214,276</b>	<b>209,502</b>	<b>4,774</b>	<b>-</b>	<b>248,255</b>

(a) Financial performance bonds are given to customers in sales before completion (VEFA sales). Kaufman & Broad asks a financial institution, mutual guarantee institution or insurance company to issue a guarantee of completion in favor of the Kaufman & Broad clients. Such guarantees are issued separately for each transaction. In consideration for such guarantees, Kaufman & Broad typically gives such financial institutions or insurance companies a mortgage commitment and a non-assignment of shares undertaking if the program is funded by a special-purpose entity. Performance bonds are shown on the balance sheet in the amount of the risk incurred by the financial institution issuing such guarantees. Such risk is valued, for each transaction, as follows: program's forecasted production cost less the part financed by the group and the amount of sales signed as of the closing date. This valuation does not take into account orders made as of the closing date or the percentage of completion of construction on lots not sold. Performance bonds are valued internally each month and are then updated on the basis of the figures communicated by the financial institution on the basis of its own reports to Banque de France or to the Insurance Control Commission.

(b) The Hoguet Act guarantees are required from companies intending to operate as a real estate agent. This purely ad-hoc operation does not form part of the group's strategy.

(c) Order indemnities are bank guarantees given in lieu and in place of security deposits in connection with land acquisition commitments.

(d) These other guarantees principally cover acquisitions of land and matters related to roads and infrastructure.

#### Pledges and liens

Kaufman & Broad SA granted liens to guarantee its financing commitments established in July 2007. The table below features annual data at November 30, 2010.

Type of pledge/lien	Start date	Expiration date	Amount of assets pledged <sup>(b)</sup>	Total balance sheet amount	% of total of Kaufman & Broad SA balance sheet at November 30, 2010
Pledge of financial instrument account - 100% of Kaufman & Broad Kaufman & Broad Homes SAS shares held by the company	July 11, 2007	(a)	€10,450,195	€10,450,195	2%
Pledge of the credit balance in the Kaufman & Broad SA bank accounts	July 11, 2007	(a)	€428,953	€428,953	0%
Pledge of 100% of the shares of Kaufman & Broad Europe SA	Nov. 9, 2007	(a)	€262,436,879	€262,436,879	53%
<b>TOTAL</b>			<b>€273,316,027</b>	<b>€273,316,027</b>	<b>57%</b>

(a) These pledges are intended to be maintained until full payment of the amounts and fees owed by the company as borrower and guarantor under the Senior Facilities Agreement and ancillary agreements.

(b) Net book value in the individual company financial statements as of November 30, 2010.

At May 31, 2011, other commitments had not changed substantially compared with November 30, 2010.

### Note 21.2 - Commitments received

#### Unused syndicated lines of Credit

(in € thousands)

	May 31, 2011	November 30, 2010
RCF line <sup>(a)</sup>	175,000	175,000
Unused syndicated line	175,000	175,000

(a) Maturing in July 2014.

**Pledges and liens**

As a guarantee of the €15.8 million loan granted to Seniors Santé, the Kaufman & Broad group benefits from (i) payment delegations for payments to be made, subject to certain conditions, by Korian as part of that company's acquisition of shareholdings in some of the Seniors Santé subsidiaries, and (ii) pledges pertaining to a number of financial securities accounts in which shares of some Seniors Santé subsidiaries are registered.

Under a memorandum of understanding, Kaufman & Broad SA stood surety for one of its partners, limited to €4 million excluding VAT and provision of a first-demand bank guarantee, in respect of commitments made by two of its subsidiaries in the aforementioned memorandum of understanding. In exchange, this partner's main shareholder stood surety for the commitments of its subsidiary vis-à-vis joint ventures for the same amount plus its own provision of a first-demand bank guarantee.

**Note 21.3 - Contingent assets and liabilities**

The dispute that originated in 1996 concerning the Roissy Park development and in which a subsidiary of Kaufman & Broad SA had been added as a party in the faulty workmanship and various defects claim did not change significantly over the period. No provision was recognized for this proceeding, the updated amount of which totals €6.5 million, excluding any late penalties, as the remedies of Kaufman & Broad appear to be preserved.

Following an audit of the accounts for fiscal years 2005 to 2008, a proposed correction was sent to Kaufman & Broad SA on July 13, 2010 by France's National and International Tax Audit Directorate (DVNI) in respect of Kaufman & Broad's operations in Belgium. The amount of the correction was €7.6 million, including €2.4 million in interest and penalties. Kaufman & Broad SA appealed this proposed correction in September 2010. However, the DVNI held its position and the group therefore initiated an administrative review. A meeting with the department representative is scheduled to take place at the end of September 2011. No provision has been recognized in connection with this process since the company considers its arguments to be solid.

**Note 22 - Exposure to market risks and financial instruments****Note 22.1 - Interest-rate risk management**

The interest rate risk management policy is intended to limit and control fluctuations in interest rates and their impact on income and cash flows, so that the total cost of the debt remains acceptable. To achieve this objective, the group hedges its variable-rate loan interest flows with interest-rate swaps. Swaps are derivatives serving to hedge cash flows. They are marked to market on the

balance sheet. Under the restructuring of the Senior Facilities Agreement signed in January 2009, the group also agreed to keep the hedges in place at the time of the restructuring. Interest rate hedges are made by way of instruments listed on organized markets or over-the-counter with high-quality counterparties.

Type	Direction	Notional in millions	Fixe rate	Expiration	Type	Market value at May 31, 2010 as a % of par value
Fixed rate swap/€1m	-	39	1.390%	Nov. 30, 2009 - Nov. 30, 2011	hedge	0.061%
Fixed rate swap/€1m	-	33	1.385%	Nov. 30, 2009 - Nov. 30, 2011	hedge	0.013%
Fixed rate swap/€1m	-	28	1.540%	Nov. 30, 2009 - Nov. 30, 2011	hedge	(0.066%)
Fixed rate swap/€1m	-	97	1.800%	Nov. 30, 2009 - Nov. 30, 2012	hedge	(0.077%)
Fixed rate swap/€1m	-	83	1.800%	Nov. 30, 2009 - Nov. 30, 2012	hedge	(0.077%)
Fixed rate swap/€1m	-	70	1.895%	Nov. 30, 2009 - Nov. 30, 2012	hedge	(0.221%)

The fair value of these derivatives was provided by a specialized third-party company. The fair value accounting of derivatives as of May 31, 2011 positively impacted equity by €2.224 million net of deferred tax (gross positive impact: €3.392 million).

The change in the hedging reserve net of tax at May 31, 2011 was -€184 thousand.

**Note 22.2 - Management of counterparty risk**

The counterparty risks incurred by Kaufman & Broad primarily concern suppliers and subcontractors, trade receivables and banking counterparties.

Because of the large number of suppliers and subcontractors, their insolvency is unlikely to have any material impact on

operations. The Kaufman & Broad group considers that the counterparty risk on trade receivables is very limited because of the large number of customers and the fact that sales are signed exclusively before a civil-law notary, generally after the financing for the property acquisition has been secured.

Customer-related credit risks are managed by the agencies under the oversight of corporate headquarters. Due to the nature of its business, the group's exposure to customer default risks is low. Aging receivables are reviewed monthly.

The Kaufman & Broad group invests its cash and cash equivalents and its investment securities with top-tier financial institutions.

The Kaufman & Broad group executes interest rate agreements with leading financial institutions.

For programs developed jointly with partners, the consequences of the measures taken in 2009, whose impacts were felt in 2010 (particularly a reduction in sale prices), continue to pose the risk that the group may have to cover their insolvency in the financing of such programs and, as applicable, their share of the losses in non-profitable developments.

### Note 22.3 - Management of liquidity risk

The table below shows the group's contractual obligations for payment of interest, repayment of financial debts, derivatives excluded, and the derivatives with their positive or negative fair values. The variable rate interest payments were calculated on the basis of the latest interest rates known prior to May 31, 2011.

(in € thousands)

	Book value May 31, 2011	Less than 1 year		1 to 5 years		More than 5 years	
		Interest	Repayment	Interest	Repayment	Interest	Repayment
Syndicated lines of credit	356,474	17,755	-	67,144	200,000	4,761	156,474
Credit facilities and other borrowings	3,521	175	3,521	-	-	-	-
<b>Total</b>	<b>359,995</b>	<b>17,930</b>	<b>3,521</b>	<b>67,144</b>	<b>200,000</b>	<b>4,761</b>	<b>156,474</b>

### Note 23 - Management of capital risk

The objectives of the group in terms of equity management are to maintain the ability of the group to continue as a going concern and be profitable for its shareholders and also to maintain an optimal capital structure in order to limit the cost of capital.

For the calculation of its "debt ratio", the group divides its net financial debt by total shareholders' equity. As of May 31, 2011, the net financial debt was €67.7 million. As of May 31, 2011, the debt ratio was 55% compared with 182% at November 30, 2010.

### Note 24 - Related parties

Relationships with related parties, including the terms and conditions of executive compensation, were unchanged from the

previous fiscal year and no transaction that was unusual in nature or amount took place during the period.

### Note 25 - Events after the balance-sheet date

There have been no significant events since May 31, 2011.

# 4 STATUTORY AUDITORS' REPORT ON THE INTERIM FINANCIAL INFORMATION

Period from December 1, 2010 to May 31, 2011

To the Shareholders,

In compliance with the audit engagement entrusted to us by your Shareholders' Meeting and in accordance with Article L. 451-1-2 III of the French Monetary and Financial Code, we have:

- conducted a limited review of the interim condensed consolidated financial statements of Kaufman & Broad SA for the period December 1, 2010 to May 31, 2011, as attached hereto;
- verified the information provided in the interim management report.

These interim condensed consolidated financial statements are the responsibility of your Board of Directors. Our responsibility is to express an opinion on these financial statements, based on our review.

## 1. Opinion on the financial statements

We conducted our limited review in accordance with auditing standards applicable in France. A limited review essentially consists of meeting with management members in charge of accounting and financial information and implementing analytical procedures. This work is less extensive than that required for an audit conducted in accordance with auditing standards applicable in France. Consequently, the assurance that the financial statements, overall, are free of material misstatement obtained as a result of this limited review is moderate and less than would be the case with an audit.

Based on our limited review, we found no material misstatements likely to question the compliance of the interim condensed consolidated financial statements with IAS 34, the IFRS benchmark standard adopted by the European Union with respect to interim financial reporting.

## 2. Specific verification

We have also verified the information provided in the interim management report which commented on the interim condensed consolidated financial statements to which our limited review pertained.

We have no matters to report concerning the fair presentation of this information and its consistency with the interim condensed consolidated financial statements.

Neuilly-sur-Seine and Paris-La Défense, July 13, 2011

The Statutory Auditors

DELOITTE & ASSOCIÉS  
Joël Assayah

ERNST & YOUNG Audit  
Gilles Cohen

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