KAUFMAN & BROAD

PRESS RELEASE - FOR IMMEDIATE RELEASE

FISCAL 2008 RESULTS

(UNAUDITED)

- **2008:**
  - **Operations and operating expenses adjusted to new market conditions**
  - **Bank financing terms renegotiated**
- **2009:**
  - **Priority focus on cash flow from operating activities**
  - **Development of new profitable projects**

(Paris - January 26, 2009) — Kaufman & Broad S.A. today announced financial results for the year ended November 30, 2008, as well as for the fourth quarter of fiscal 2008.

Commenting on the Group's performance and outlook, Guy Nafilyan, Chairman and Chief Executive Officer, said: "Our 2008 results reflect the continued rapid decline in the French housing market and the impact of measures introduced to align our operations and costs with market conditions. After the initial adjustments undertaken in late 2007, we worked hard throughout 2008 to reduce operating costs, which meant cancelling unprofitable projects and significantly reducing our operating expenses. Late in the year, we renegotiated our bank financing terms and restored our financial flexibility. Given the measures already taken, we're entering 2009 with determination. As it will be another difficult year for the new housing market in France, Kaufman & Broad will focus on generating cash flow from operating activities and will actively pursue its growth strategy with new, profitable projects in both large, high-potential cities and, especially, in the Paris area."

(in € millions)	**2008**	2007	*% change*
Net revenues	**1,165.1**	1,382.6	*-15.7%*
Net housing revenues	**1,118.3**	1,330.6	*-16.0%*
Gross profit	**211.5**	319.2	*-33.7%*
Current operating profit	**88.5**	**181.3**	***-51.1%***
Income attributable to shareholders	**8.2**	84.4	*-90.3%*
Impact of the reorganization plan			
* Non-recurring expenses	(24.4)	0	-
* Corporate income taxes	8.3	-	-
Income attributable to shareholders excluding the reorganization plan, net of taxes	**24.3**	84.4	*-71.2%*

2008 was shaped by a strategic focus on adjusting costs and expenses, with the goal of optimising future operating performance. The Group's bank financing facilities were rearranged in order to adjust the financial structure to a difficult market.

◆ Optimizing operations

Kaufman & Broad has taken a number of strategic measures that have mainly concerned:

- Cancelling unprofitable projects.
- Renegotiating land cost and payment terms for retained projects.
- Redefining programs to align products with new market conditions.
- Optimising construction costs with the introduction of a nationwide procurement strategy.
- Adjusting selling prices on a number of projects.
- Closely monitoring the pace of sales for each program, to avoid holding unsold inventory.

◆ Reducing operating expenses

As part of the drive to reduce operating expenses, a reorganisation and downsizing plan has been launched, involving the elimination of 166 jobs. The plan includes inplacement and outplacement programs to help employees find new jobs.

The plan calls ultimately for the closing of two agencies and a reduction in overheads. Operating expenses, which totaled €138 million in 2007, are expected to decline by nearly one-third in 2009 to around €95 million.

Together, these measures gave rise to non-recurring expenses of €24.4 million, most of which was recognised in third-quarter 2008.

The measures are expected to start delivering their full benefits as from first-half 2009.

◆ Renegotiation of the company's bank financing terms

Following discussions with its banks concerning the restructuring of its Senior Facilities Agreement, on January 23, 2009, Kaufman & Broad signed the final version of the agreement with all the lenders party to the Senior Facilities Agreement, which was announced last December. This enabled the Company to consolidate its financial position.

In particular, the agreement, which is described in detail in the appendix, provides for an additional liquidity facility of €75 million over two years, the same interest rate and spread as previously applied, an adjustment in the Group's applicable financial covenants and the suspension of dividend payouts for at least three financial years.

2008 Results

◆ Full-year revenues

Consolidated net revenues declined by 15.7% to €1,165.1 million, from €1,382.6 million in fiscal 2007, reflecting the overall contraction in the market as well as the cancellation of a number of projects and the reduction in selling prices applied in the fourth quarter.

Housing revenues contracted by 16.0% to €1,118.3 million, or 96% of the consolidated total. Ile de France accounted for 34% of housing revenues, with the other regions accounting for the remaining 66%.

Sales of **apartments** dropped 12.7% to €965.5 million, representing 86.3% of total housing revenues.

Sales of **single-family homes** declined 32.2% to €152.8 million, due primarily to the small number of new program launches, partly as a result of project cancellations.

For the year, 6,398 equivalent housing units (EHUs) were delivered versus 7,483 in 2007.

Showroom revenues totaled €9.2 million.

◆ Orders

In the fourth quarter, 1,150 orders were booked, a decrease of 42.7% in **volume** compared with the 2,009 recorded in the year-earlier period. Excluding cancellations due to abandoned projects, the decline would have been 37.5%. For the full year, orders were down 40.0%. Excluding cancellations due to abandoned projects, the **volume** decline in orders would have been 35.6%.

In **value**, housing orders (including cancellations due to abandoned projects) totaled €137.8 million including VAT in the fourth quarter, compared with €405.8 million including VAT in the prior-year period. For the full year, housing orders declined 44.8% to €924.8 million including VAT, from €1,675 million including VAT in 2007. Excluding cancellations due to abandoned projects, the decline would have been 40.8%.

Note that the number of housing units on the market at November 30, 2008 was 45% lower than one year earlier, mainly because more than 90 projects were cancelled.

For the full year, orders **in regions outside the Paris area** represented 63.3% of the total in value, compared with 66.8% in 2007.

◆ 2008 Financial Highlights

Gross profit for 2008 contracted by 33.7% to €211.5 million and represented 18.2% of revenues. It was particularly impacted by the decline in demand, the fourth-quarter adjustment in selling prices and the sale of low gross-margin social housing units.

Current operating profit came to €88.5 million and **current operating margin** stood at 7.6%.

The **cost of net financial debt** amounted to €41.2 million, versus €27.1 million in 2007, reflecting the financial structure of Kaufman & Broad set up in July 2007.

Income attributable to shareholders, which stood at €8.2 million for the year, was sharply impacted by the factors described above. **Excluding reorganisation costs, net of tax, it amounted to €24.3 million for the year.**

Working capital requirement stood at 33.0% of revenues at November 30, 2008, compared with 31.4% at November 30, 2007. Year on year, it declined in value by 11.5% to €384.5 million, from €434.5 million.

Cash flow from operating activities represented a positive €120 million compared with a negative €46.0 million in 2007. The improvement was mainly due to the reduction in working capital requirement.

Outlook

◆ Backlog

Housing backlog amounted to €862.5 million (excluding VAT), down 27.5% from €1,189.7 million at November 30, 2007. This represented 13.2 months of business.

At November 30, 2008, 278 housing programs were **on the market**, of which 68 in Ile de France and 210 in the other regions, representing a total of 4,977 units for sale, compared with 8,958 units one year earlier.

◆ Ongoing development of Seniors Santé in the nursing home segment

Kaufman & Broad is pursuing its development in the nursing home segment through its equity investment in Seniors Santé.

Seniors Santé currently operates eight facilities with a total of 520 beds. In addition, four facilities licensed to offer 433 beds are currently being built and are expected to open in 2009. Five others representing around 420 beds are in the development stage and will open between 2010 and 2012.

The financial statements will be submitted for approval to the Board of Directors on February 13, 2009. The Board will also be asked to approve the payment of a dividend for 2008 equal to the total of interim dividends already paid, or €1.51 per share.

For nearly 40 years, Kaufman & Broad has been designing, building and selling single-family homes and apartments, as well as office properties on behalf of third parties. Its size, profitability and strong brand name have made Kaufman & Broad one of France's leading developers and builders of homes.

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Certain matters discussed in this press release are forward-looking statements, which may be affected by known or unknown risk factors that are difficult for KBSA to foresee or control, and which could cause actual events and results to differ materially from those expressed, implied or otherwise forecast by the company. These risk factors include those described in the "Risk Factors" section of the Registration Document filed with the Autorité de Marchés Financiers on March 31, 2008.

KAUFMAN & BROAD S.A.

Statements of Income (in € thousands)

Unaudited and not approved by the Board of Directors

	Fiscal 2008	Fiscal 2007
Revenues	**1,165,106**	**1,382,567**
Cost of sales	(953,593)	(1,063,409)
Gross margin	**211,513**	**319,158**
Selling expenses	(31,063)	(39,093)
General & administrative expenses	(63,721)	(74,149)
Other current operating income and expenses	(28,186)	(24,665)
Current operating profit	**88,543**	**181,251**
Other non-recurring income and expenses	(24,374)	3,287
Operating profit	**64,169**	**184,538**
Cost of net financial debt	(41,217)	(27,056)
Other financial income and expenses	0	(14,999)
Income taxes	(610)	(41,627)
Share of income from equity affiliates and joint ventures	2,422	4,177
Net income from fully consolidated companies	**24,764**	**105,033**
Of which minority interests	16,590	20,666
Of which income attributable to shareholders	8,174	84,367
Earnings per share (€)	**0.38**	**3.79**

KAUFMAN & BROAD S.A.
Balance Sheets
(in € thousands)
Unaudited and not approved by the Board of Directors

ASSETS	November 30, 2008	November 30, 2007
Goodwill	68,511	69,010
Intangible assets	81,202	80,797
Tangible assets	7,271	9,470
Investments in equity affiliates and joint ventures	35,069	29,928
Other non-current assets	1,049	979
Non-current assets	**193,102**	**190,184**
Inventories	519,521	595,459
Accounts receivable	296,257	405,701
Other receivables	187,352	147,394
Cash and cash equivalents	107,705	76,136
Prepaid expenses	2,187	3,226
Current assets	**1,113,022**	**1,227,916**
TOTAL ASSETS	**1,306,124**	**1,418,100**

EQUITY AND LIABILITIES	November 30, 2008	November 30, 2007
Issued capital	5,793	5,793
Additional paid-in capital, reserves and other	157,603	263,095
Income attributable to shareholders	8,174	84,367
Interim dividend	(32,385)	(107,575)
Treasury shares	(29,719)	-
Shareholders' equity	109,466	245,680
Minority interests	15,749	15,066
Total equity	**125,215**	**260,746**
Provisions	20,725	12,682
Long-term borrowings	529,830	363,559
Deferred taxes	1,704	14,605
Non-current liabilities	**552,259**	**390,846**
Short-term borrowings	7,860	49,052
Trade payables	552,648	620,977
Other payables	65,811	92,470
Deferred income	2,331	4,009
Current liabilities	**628,650**	**766,508**
TOTAL EQUITY AND LIABILITIES	**1,306,124**	**1,418,100**

KAUFMAN & BROAD SA

Additional Information

	Single-Family Homes		
	2008	**2007**	**2006**
Net orders (in units)	**677**	803	1 008
Net orders (in € thousands, including VAT)	**162,567**	222,171	286,026
Backlog (in € thousands, excluding VAT)	**99,515**	111,703	131,327
Backlog (in months of business)	**9.7**	8.1	5.5
Deliveries (in EHUs)	**683**	968	1 052

	Apartments		
	2008	**2007**	**2006***
Net orders (in units)	**4,215**	7,353	7,365
Net orders (in € thousands, including VAT)	**762,254**	1,452,891	1,452,902
Backlog (in € thousands, excluding VAT)	**763,035**	1,077,958	1,015,527
Backlog (in months of business)	**13.6**	13.8	12.6
Deliveries (in EHUs)	**5,715**	6,515	5,836

	Commercial Property		
	2008	**2007**	**2006**
Net orders (in € thousands, including VAT)	**684**	20,240	52,879
Backlog (in € thousands, excluding VAT)	**4,771**	19,741	27,002

*Not adjusted for proportionately-consolidated companies

KAUFMAN & BROAD SA

Additional Information

	Single-Family Homes		
	Q4 2008	**Q4 2007**	**Q4 2006**
Net orders (in units)	**157**	154	299
Net orders (in € thousands, including VAT)	**3,565**	47,029	81,830
Deliveries (in EHUs)	**231**	268	306

	Apartments		
	Q4 2008	**Q4 2007**	**Q4 2006***
Net orders (in units)	**993**	1,855	2,026
Net orders (in € thousands, including VAT)	**134,215**	358,696	383,467
Deliveries (in EHUs)	**1,515**	2,150	1,861

	Commercial Property		
	Q4 2008	**Q4 2007**	**Q4 2006**
Net orders (in € thousands, including VAT)	**(68,684)**	-	7,562

*Not adjusted for proportionately-consolidated companies

SCHEDULE

The Senior Facilities Agreement, such as amended by the final amendment agreement entered into by the Company and all the lenders on January 23rd, 2009, provides in particular for:

- **The maintenance of facility B (EUR 200 millions), of facility C (EUR 201.5 millions) and of the revolving facility (EUR 175 millions):** the amounts, interest rates and maturity dates remain unchanged;

- **The extension of the purpose of the the capex / acquisition facility to the financing of the working capital and general corporate purposes of the Group.** This facility (the amount of which is reduced from EUR 80 millions to EUR 75 millions) will be available for drawdowns until November 30, 2009 and its maturity date will be rescheduled to December 31, 2010 (instead of July 10, 2014 currently);

- **The adjustment of the financial covenants:**

    - the Group will have no obligation to respect any testing of financial covenants during the 2009 financial year;

    - during the first quarter of 2010, the consolidated EBITDA (such as defined here below), must be positive;

    - for all subsequent accounting quarters, until the final maturity date of the agreement in 2016, the Group will have the obligation to respect the following three financial covenants, calculated on a consolidated basis, the levels of which have been modified as follows:

FINANCIAL COVENANTS	Nov. 2009	Nov. 2010	Nov. 2011	Nov. 2012	Nov. 2013	Nov. 2014	Nov. 2015
Leverage Ratio[1]	**N/A**	**‹ 9,80**	**‹ 6,40**	**‹ 5,10**	**‹ 3,70**	**‹ 3,00**	**‹ 2,00**
Net Cash Interest Cover[2]	**N/A**	**› 1,00**	**› 1,30**	**› 1,80**	**› 2,50**	**› 3,50**	**› 4,50**
Cashflow Cover[3]	**N/A**	**› 3,00**	**› 1,00**	**› 0,60**	**› 0,90**	**› 1,40**	**› 2,00**

[1]Being the ratio of Net Debt to EBITDA

Where:

- *Net Debt means the aggregate outstanding principal or capital amount of all external financial indebtedness of the Group (excluding some of the subordinated debt and some off balance sheet commitments) less the cash and cash equivalents of the Group;*

- *EBITDA means the consolidated profit of the Group before in particular any deduction of income taxes, financial profit (including the Net Cash Interest defined below, any exchange rate related gains and losses and any other financial items), Group's share of the profits of associates and joint-ventures (for the financial year ending 30 November 2010 only), other exceptional and/or non recurring items, before deducting any estimated charges (including in particular any amortizations, impairments or depreciations, any provisions, adjustments arising from fair value, incomes or charges relating to non cash employee share, incentive or remuneration scheme) and any gains or losses arising on the disposals of assets and starting with the financial year ending 30 November 2011, less the "*résultat des intérêts minoritaires*"*

[2]Being the ratio of EBITDA to Net Cash Interest

Where:

- *Net Cash Interest means interest payable in cash and the amount of discount element of any financial indebtedness payable in cash less interest payable in cash to the members of the Group (other than from other members of the Group)*

[3]Being the ratio of Cashflow to Debt Service

Where:

- *Cashflow mean*s *EBITDA plus the amount of any decrease or minus the amount of any increase in working capital (excluding income taxes), plus/minus any income tax received/paid in cash, minus/plus the negative/positive cash impact of exceptional losses/gains, minus all capital expenditures paid in cash, minus the "*quote part des sociétés mises en équivalence*" (starting with the financial year ending on November 30, 2011), minus the amount of any dividends paid in cash to any minority shareholder of the member of the Group, minus the amount of any share buy back, plus the amount of any dividends received in cash (other than intra-group dividends and to the extend not already taken into account in calculating EBITDA), plus the "*résultat des intérêts minoritaires*" (starting with the financial year ending on November 30, 2011) and plus net cash receipts of assets' disposals; and*

- *Debt Service means the aggregate of the Net Cash Interest and all scheduled repayments of principal under the terms of any financial indebtedness (but in each case excluding any financial indebtedness between members of the Group)*

- **The suspension of dividend distributions for at least three financial years**. The Company will not proceed to any payment of dividends during the financial years ending on November 30, 2009, 2010 and 2011 it being specified that, as from the 2012 financial year, it may proceed to dividend distributions only to the extent the Leverage Ratio is equal to or less than 3.

- **The limitation of acquisition/capex transactions** and in particular of interest acquisitions to be made by the Group, for which the consent of all the lenders is required in order to finance such acquisitions by additional financial indebtedness.