



March 21, 2002

KB Home Reports Record First Quarter Earnings; Net Income Advances 65%; EPS Beats Consensus Estimates; Quarter-end Backlog Reaches 12,598 Units, or \$2.30 Billion in Value

LOS ANGELES, Mar 21, 2002 (BUSINESS WIRE) -- KB Home (NYSE:KBH), one of the largest homebuilders in the United States and France, today announced record results for its first quarter ended February 28, 2002. Highlights include:

- Net income increased 65% to another all-time first quarter record of \$42.7 million, or \$.95 per diluted share, from \$25.8 million, or \$.70 per diluted share, in the same quarter of 2001. Diluted earnings per share for the first quarter beat the First Call consensus estimate of \$.79 by approximately 20%.
- Record first quarter deliveries of 5,081 units were 10% higher than the 4,612 units delivered in the first quarter of 2001 due to substantial unit volume gains in the Company's Central region and in France. Total revenues rose to \$915.7 million, the highest level for any first quarter in the Company's history, up nearly 12% from the \$821.1 million posted in first quarter of 2001.
- The Company's operating income increased sharply to \$71.3 million in the first quarter from \$53.5 million in the year-earlier quarter while its operating margin climbed 130 basis points to 7.8% from 6.5%. The Company's pretax margin also rose substantially to 7.0% in the first quarter, up 220 basis points from 4.8% in the first quarter of 2001.
- The Company's ratio of debt to total capital improved 6.9 percentage points to 49.7% at February 28, 2002, down significantly from 56.6% at February 28, 2001. The Company ended the quarter with substantial liquidity, including nearly \$600 million of available borrowing capacity under its revolving credit facility and \$196.2 million in cash.
- The Company had a strong backlog of 12,598 units at February 28, 2002. Revenues in backlog totaled \$2.30 billion at the end of the first quarter and provided excellent visibility for the Company's 2002 year.

"We began fiscal 2002 with an outstanding first quarter, setting the stage for the record performance we expect for the full year," commented Bruce Karatz, Chairman and Chief Executive Officer. "Our first quarter financial results showcase the strength of our core homebuilding business, which has continued to benefit from our customer-focused, process-driven approach and our emphasis on the fastest growing markets. We are optimistic for the remainder of the year as our backlog is healthy, demand for housing continues to outpace supply, and other conditions in the housing industry continue to be favorable."

Net income increased 65.2% to \$42.7 million in the first quarter of 2002 from \$25.8 million in the first quarter of 2001. The combination of higher unit delivery volume and a higher operating margin drove net income to a new first quarter record. Net income also benefited as pretax income from the Company's mortgage banking operations more than doubled in the first quarter of 2002 to \$8.2 million from \$4.0 million in 2001, reflecting higher domestic unit delivery volume, increased retention and a favorable interest spread. Earnings per diluted share increased 35.7% to \$.95 in the first quarter from \$.70 in the year-earlier quarter. The Company's year-over-year diluted earnings per share growth was substantially lower than its net income growth as a result of a 21.8% increase in the average number of diluted shares outstanding in the first quarter of 2002 compared to the year-earlier quarter.

Unit deliveries (including deliveries from joint ventures) rose 10.2% to a record of 5,081 units in the first quarter of 2002 from 4,612 units in the same quarter of 2001. Total construction revenues for the quarter ended February 28, 2002 were \$899.2 million, the highest for any first quarter in the Company's history, up 11.3% from \$808.2 million for the same quarter a year ago. Housing revenues increased 13.3% to \$893.8 million from \$789.1 million in the year-earlier quarter reflecting both higher unit volume and a slightly higher average selling price. The Company's average selling price rose 2.1% to \$177,900 for the first quarter of 2002 from \$174,300 for the same quarter of 2001. Construction revenues for the first quarter of 2002 included French commercial revenues of \$3.6 million and land sales of \$1.8 million compared with commercial revenues of \$9.3 million and land sales of \$9.8 million reported in the year-earlier quarter.

"Our Company-wide focus on improving performance was clearly evident in our first quarter results," stated Karatz. "In addition to achieving solid top line growth, we continued to gain momentum through increased operating efficiencies that translated into accelerated earnings growth. In the first quarter of 2002, our construction operating income margin jumped to 7.0%, up 90 basis points from 6.1% in the same quarter of 2001, proving that the disciplined approach of our business operating model continues to work. We anticipate our operating margin to continue to expand in the remaining quarters of 2002 assuming no significant change in market conditions."

Construction operating income for the first quarter totaled \$63.1 million compared with \$49.5 million in the year-earlier quarter, an increase of 27.5%, generated mainly from the combined effects of higher unit volume and improved operating margin. The Company's housing gross margin rose 50 basis points to 20.0% in the three months ended February 28, 2002 from 19.5% in the same period of 2001 while selling, general and administrative expenses as a percentage of housing revenues improved 40 basis points to 13.0% from 13.4% in 2001. Commercial activities and land sales produced nominal profits of \$.9 million in the first quarter of 2002 compared to \$1.8 million generated in the first quarter of 2001.

The Company's financial structure at February 28, 2002 compared favorably to the year-earlier period as the Company continued to effectively manage its financial leverage while promoting the growth of its business. The Company's ratio of debt to total capital at the end of the first quarter improved 6.9 percentage points to 49.7% in 2002 from 56.6% in 2001. Net of the construction cash balance at February 28, 2002, the ratio of net debt to total capital was 45.0%. At the end of the first quarter of 2002, the Company had nearly \$600 million of available borrowing capacity as no amounts were outstanding under its revolving credit facility.

"Our financial position is strong and getting stronger," commented Karatz. "We ended the quarter with nearly \$200 million in cash and our leverage ratio remained below 50% while we continued to invest in our business to support future growth. The Company enhanced its financial structure during the quarter as the cost of funds was reduced and the debt maturity was extended by refinancing existing debt with the issuance of \$200 million of senior subordinated notes. We also increased our total issuance capacity with our new \$750 million shelf registration which was declared effective during the quarter."

The Company's backlog value reached \$2.30 billion on 12,598 units at February 28, 2002, compared to a backlog value of \$2.22 billion on 12,564 units at February 28, 2001. The Company had approximately two quarters of deliveries in backlog at February 28, 2002, providing excellent visibility for 2002 earnings. During the first quarter, customer traffic to the Company's sales offices increased 7.4% from the same quarter of 2001 while the Company's sales conversion also improved. The Company's overall cancellation rate remained above year-earlier levels in the first quarter, but showed sequential improvement during each month of the quarter. Company-wide net orders of 6,454 for the first quarter were up slightly from 6,409 net orders in the year-earlier quarter on mixed results in the Company's four regions. Year-over-year monthly net order comparisons remained volatile during the quarter, as they had been throughout 2001, with net orders for the month of February 2002 ending on a positive note, up 7.5% from the same month of 2001.

The Conference Call on First Quarter 2002 Earnings will be broadcast live TODAY at 8:00 AM Pacific Standard Time, 11:00 AM Eastern Standard Time. To listen, please go to the Investor Relations section of the Company's Web site at www.kbhome.com.

KB Home is one of America's premier homebuilders with domestic operating divisions in the following regions and states: West Coast -- California; Southwest -- Arizona, Nevada and New Mexico; and Central -- Colorado, Texas and Florida. Kaufman & Broad S.A., the Company's majority-owned subsidiary, is one of the largest homebuilders in France. In fiscal 2001, the Company delivered homes to 24,868 families in the United States and France. It also operates a full-service mortgage company for the convenience of its buyers. Founded in 1957, KB Home is a Fortune 500 company listed on the New York Stock Exchange under the ticker symbol "KBH." For more information about any of KB Home's new home communities, call 1-888-KB-HOMES or visit the Company's Web site at www.kbhome.com.

Except for the historical information contained herein, certain matters discussed in this press release are "forward-looking statements" as defined in the Private Securities Litigation Reform Act of 1995, including any statements concerning future financial performance, business and prospects, and future Company actions and their expected results. These forward-looking statements are subject to risks, uncertainties and assumptions including, but not limited to, the continued impact of terrorist activities and U.S. response, accelerating recessionary trends and other adverse changes in general economic

conditions, material prices, labor costs, interest rates, the secondary market for loans, consumer confidence, competition, currency exchange rates (insofar as they affect the Company's operations in France), environmental factors, government regulations affecting the Company's operations, the availability and cost of land in desirable areas, unanticipated violations of Company policy, unanticipated legal proceedings, and conditions in the capital, credit and homebuilding markets. See the Company's Annual Report on Form 10-K and its Annual Report to Shareholders for the year ended November 30, 2001 and its other filings for a further discussion of these and other risks and uncertainties applicable to the Company's business.

KB HOME

CONSOLIDATED STATEMENTS OF INCOME

For the Three Months Ended February 28, 2002 and 2001

(In Thousands, Except Per Share Amounts - Unaudited)

Three Months

	2002	2001
Total revenues	\$ 915,665	\$ 821,065
Construction:		
Revenues	\$ 899,211	\$ 808,195
Costs and expenses	(836,161)	(758,742)
Operating income	63,050	49,453
Interest income	1,699	904
Interest expense, net of amounts capitalized	(8,599)	(9,835)
Minority interests	(1,859)	(5,922)
Equity in pretax income of unconsolidated joint ventures	1,158	470
Construction pretax income	55,449	35,070
Mortgage banking:		
Revenues:		
Interest income	5,478	4,574
Other	10,976	8,296
Expenses:		
Interest	(2,992)	(4,296)
General and administrative	(5,247)	(4,526)
Mortgage banking pretax income	8,215	4,048
Total pretax income	63,664	39,118
Income taxes	(21,000)	(13,300)
Net income	\$ 42,664	\$ 25,818
Basic earnings per share	\$ 1.00	\$.74
Diluted earnings per share	\$.95	\$.70
Basic average shares outstanding	42,650	34,964
Diluted average shares outstanding	44,943	36,892

KB HOME

CONSOLIDATED BALANCE SHEETS

(In Thousands - Unaudited)

Feb. 28, Nov. 30, Feb. 28,
2002 2001 2001

ASSETS			
Construction:			
Cash and cash equivalents	\$ 177,749	\$ 266,195	\$ 11,922
Receivables	401,190	437,043	338,933
Inventories	1,986,669	1,884,761	1,852,879
Investments in unconsolidated joint ventures	9,392	8,844	9,048
Deferred income taxes	117,694	118,584	72,224
Goodwill	189,700	190,785	197,043
Other assets	79,538	77,310	98,847
	\$ 2,961,932	\$ 2,983,522	\$ 2,580,896
Mortgage banking:			
Cash and cash equivalents	18,401	15,138	21,156
Receivables	444,154	686,403	350,614
Other assets	8,762	7,803	8,554
	471,317	709,344	380,324
Total assets	\$ 3,433,249	\$ 3,692,866	\$ 2,961,220
LIABILITIES AND STOCKHOLDERS' EQUITY			
Construction:			
Accounts payable	\$ 395,503	\$ 446,279	\$ 313,210
Accrued expenses and other liabilities	260,593	351,144	203,598
Mortgages and notes payable	1,136,975	1,088,615	1,155,117
	1,793,071	1,886,038	1,671,925
Mortgage banking:			
Accounts payable and accrued expenses	27,764	33,289	10,640
Notes payable	377,184	595,035	303,952
Collateralized mortgage obligations secured by mortgage-backed securities	20,329	22,359	28,529
	425,277	650,683	343,121
Minority interests	64,435	63,664	248,829
Stockholders' equity	1,150,466	1,092,481	697,345
Total liabilities and stockholders' equity	\$ 3,433,249	\$ 3,692,866	\$ 2,961,220

KB HOME

SUPPLEMENTAL INFORMATION

For the Three Months Ended February 28, 2002 and 2001
(Unaudited)

Construction Revenues:	Three Months	
	2002	2001
Housing	\$ 893,825	\$ 789,096
Commercial	3,584	9,346
Land	1,802	9,753
Total	\$ 899,211	\$ 808,195

	Three Months	
Costs and Expenses:	2002	2001
Construction and land costs	\$ 719,801	\$ 652,852
Selling, general and administrative expenses	116,360	105,890
Total	\$ 836,161	\$ 758,742

	Three Months	
Average Sales Prices:	2002	2001
West Coast	\$ 301,000	\$ 278,100
Southwest	171,500	155,900
Central	145,300	135,500
France	140,800	154,100
Total	\$ 177,900	\$ 174,300

	Three Months	
Net Orders:	2002	2001
West Coast	1,697	1,176
Southwest	1,512	1,973
Central	2,418	2,531
France	814	664
Total	6,441	6,344
Unconsolidated Joint Ventures:	13	65

	Three Months	
Unit Deliveries:	2002	2001
West Coast	863	981
Southwest	1,246	1,248
Central	2,182	1,746
France	734	553
Total	5,025	4,528
Unconsolidated Joint Ventures:	56	84

	Feb. 28, 2002		Feb. 28, 2001	
Backlog Data:	Backlog Units	Backlog Value	Backlog Units	Backlog Value
West Coast	2,477	\$ 767,836	2,616	\$ 754,618
Southwest	2,817	479,822	3,036	460,411
Central	5,157	746,481	4,795	667,155
France	2,092	293,776	1,928	297,706
Total	12,543	\$ 2,287,915	12,375	\$ 2,179,890

Unconsolidated Joint

Ventures: 55 \$ 10,780 189 \$ 37,611
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