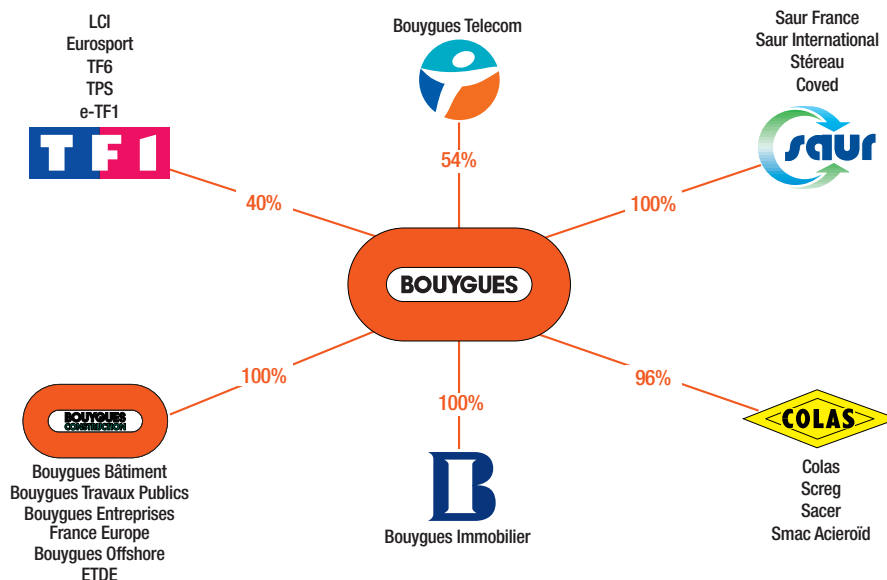


The Bouygues Group



Group sales forecast 2001

20.4 billion euros

Activities and Articles

Bouygues Telecom

- 30** Mobile multimedia strategy
- 36** The 6° sens portal
- 74** Customers: from winning them to building customer loyalty

Saur

- 68** Information systems serving customers
- 80** Drinking water: innovative antibacterial treatment
- 90** Water and electricity in Mali

Colas

- 58** Roads in pictures
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- 88** A strong presence in the United States

TF1

- 40** Leader in thematic channels
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Bouygues Construction

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- 50** Holland: a giant tunnel for the new high speed train
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Bouygues Immobilier

- 66** Made-to-measure comfort and services



Editorial

Our aim is to

**focus on satisfying
our customers.** ”

The Bouygues Group generated total sales of €19 billion in 2000, 20% more than in 1999, including €7 billion on international markets.

Operating income rose by 68% to €812 million and net earnings increased ninefold to €421 million. Net earnings attributable to the Group amounted to €215 million, almost five times more than in 1999, before non-recurring items worth €206 million connected with the Colas/Bouygues stock swap in August 2000.

Stockholders' equity rose by €2.9 billion to €5.2 billion. A €2.2 billion fall in net debt to €1 billion gave a debt-to-equity ratio of 19%.

As a result, Bouygues is one of the least indebted of all the firms engaged in the telecommunications business. We will therefore be able to raise the necessary capital to implement our business development strategy if opportunities for profitable investment arise.

All our business areas contributed to the Group's progress in 2000.

• **Bouygues Telecom**, which has over 5.6 million customers in March 2001, recorded strong growth in personalised services and reported positive EBITDA from sales of €2 billion.

“**SOLID RESULTS AND CLEAR STRATEGIES ENABLE US TO LOOK FORWARD TO THE FUTURE WITH CONFIDENCE.**”

We decided not to bid for a UMTS license in January 2001 for several reasons: the asking price for the licenses was too high, there was considerable uncertainty as to the availability of equipment, and rapid progress in digital compression technology means that the transmission speeds offered by UMTS are no longer necessary. We shall assess whether or not to submit a fresh bid when a new call for tenders is made.

• **TF1**, Europe's most successful general interest TV channel with a 33.4% share of the French audience, has enjoyed an exceptional year in terms of both business and profits. Strengthening its core business assets and developing special interest channels, TF1 increased its stake in Eurosport and created TF6.

• **Saur** is a utilities management company wholly-owned by Bouygues following EDF's disposal of its 14% stake in the business at the beginning of 2001. Growing steadily across all its lines of business, it has annual sales of €2.4 billion.

• **Bouygues Construction**, spun off in 2000, took record orders. Its offering has been extended to span the entire value chain from analysis of customer needs to project operation, including financial engineering, design-build and construction and maintenance services. Bouygues Construction, the Group's original core business, has annual sales of some €6 billion and generates over half of that amount on international markets.

• **Bouygues Immobilier**, France's top private sector property developer, enjoyed a good year and no longer carries any debt.

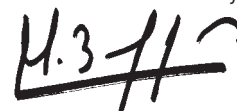
• **Colas**, of which Bouygues now owns 96%, reported a further increase in both sales and earnings. The world's leading roads company, it does 41% of its business outside France. As well as being the world's largest producer of emulsions and binders, it owns major quarries which, with 2.1 billion tons of aggregates, represent an extremely important industrial asset.

Projected sales for the Bouygues Group in 2001 amount to €20.4 billion, 7% up on 2000, including €7.5 billion on international markets. The Group also expects profitability to improve.

Forecasts for both sales and earnings are excellent in all our lines of business. We have never been so well placed. Among our strategic advantages, we intend to emphasize our unique position as an operator in three complementary areas through TF1, Eurosport and Bouygues Telecom, our worldwide reputation as a builder with acknowledged skills and know-how, and our capacity to create new businesses.

Our entrepreneurial approach in the Bouygues Group has its roots in a distinctive corporate culture which has been one of our main strengths for fifty years. We owe our success to clear strategies, to the mind-set and professionalism of our workforce and to the trust of our stockholders which is the result. Our aim at Bouygues is to focus on satisfying our customers, because satisfied customers make for satisfied stockholders.

25 April 2001
Martin Bouygues





Martin Bouygues
Chairman and Chief Executive Officer

The corpor a team of entrepreneurs



Michel Derbesse
Vice Chairman and Chief Operating Officer

Bouygues is a diversified industrial group with six major activities. They are headed by managers who share strong and original values.



Alain Pouyat
Executive Vice President, Information Systems and New Technologies



Olivier Poupart-Lafarge
Chief Financial Officer



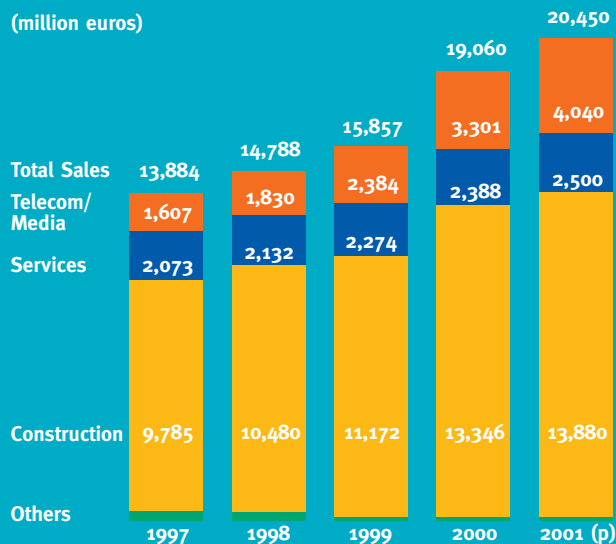
Michel Maître
Executive Vice President, Human Resources



Pierre Daurès
Executive Vice President

Growth in sales

(million euros)



International sales: 7,062 million euros

2000 international sales by region



ate management

Telecom / Media

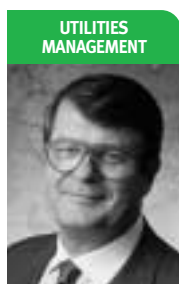


Philippe Montagner
Chairman and CEO
of Bouygues Telecom



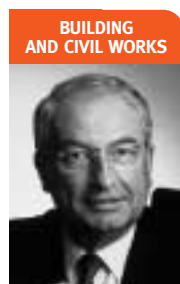
Patrick Le Lay
Chairman and CEO
of TF1

Services



Olivier Bouygues
Chairman and CEO
of Saur

Construction



Jean-Pierre Combot
Chairman and CEO of
Bouygues Construction



Alain Dupont
Chairman and CEO
of Colas



François Bertièrre
Chairman and CEO
of Bouygues Immobilier

BOARD OF DIRECTORS

Chairman of the Board
Martin Bouygues

CEO Board Members
Michel Derbesse
CEO

Olivier Bouygues
CEO Utilities Management

Philippe Montagner
CEO Telecommunications

Board Members

Pierre Barberis
Patricia Barbizet
Mme Francis Bouygues
G. Chodron de Courcel
Jean-Pierre Combot
Daniel Devillebichot*

Alain Dupont
Lucien Douroux
Carmelina Formond*
Patrick Le Lay
Patrick Leteu
Jean Peyrelevede
François-Henri Pinault
Olivier Poupart-Lafarge
Alain Pouyat
Ivan Replumaz
Michel Rouger
Serge Weinberg

** Bouygues employee shareholder
representatives*

Non-Voting Member

Jacques-Henri Gougenheim

MANAGEMENT COMMITTEES

Accounts Committee
Chaired by Michel Rouger

**Board Member Selection
Committee**
Chaired by
Jean Peyrelevede

Payment Committee
Chaired by Pierre Barberis
and Patricia Barbizet

**Ethics and Sponsorship
Committee**
Chaired by Lucien Douroux



119,000 employees

Breakdown as of 31 December 2000

18%
managers

31% clerical staff
and technicians

51%
site workers

54,200 overseas staff

8% North America

13% Eastern Europe

19% Western Europe

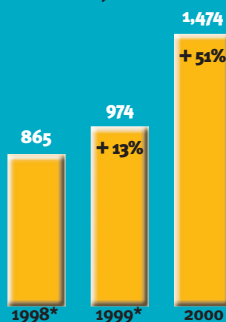
3% Latin America

45% Africa,
Indian Ocean

12% Middle East,
Asia-Pacific

EBITDA

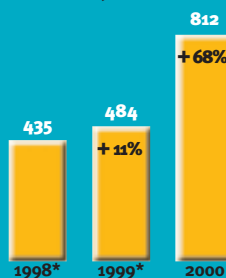
(million euros)



An increase of 51% in EBITDA (Group profit before financial expenses, income tax, depreciation and amortization) attests to an improvement in the financial performance of the Group's activities (the EBITDA for Bouygues Telecom is positive).

Operating profit

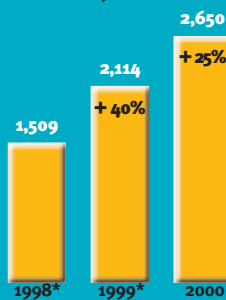
(million euros)



Operating profits increased at a faster rate than EBITDA, mostly due to the strength of TF1, Colas and Bouygues Telecom. They represent 4.3% of the Group's sales in 2000 compared with approximately 3% in 1999 and 1998.

Total investments

(million euros)



Dynamics growth has led the Group to strengthen its activities (telecommunications in 1999, services and roadworks in 2000) while expanding the Bouygues Telecom network and taking strategic positions in certain markets, particularly at Colas and TF1 (Eurosport).

*Pro forma

A sound finan

In 2000, shareholders' equity increased by 80% to 5.2 billion euros. There were two major financial transactions in the year. **April: a share issue of 1.5 billion euros to assist future telecommunications development.** **August: an exchange offer on Colas shares not held by Bouygues, which increased shareholders' equity by 0.5 billion euros and net profit by 0.2 billion euros. Simultaneously,**

net debt was reduced by 56% to 1 billion euros, resulting in a net debt-to-equity ratio of 19%. There was a large surplus of working capital, which nearly tripled between 1999 and 2000, reaching 1.8 billion euros at the end of 2000. Available net cash at the end of 2000 was 2.1 billion euros. The Bouygues Group's sound financial position, with its low level of debt, provides it with the financial capacity to pursue its development strategy.

Consolidated balance sheet at 31 December

ASSETS (million euros)	2000	1999 Pro forma
Intangible fixed assets	2 937	2 269
Goodwill	337	254
Tangible fixed assets	4 203	3 921
Long-term investments	904	778
Fixed assets	8 381	7 222
Stocks and works in progress	1 493	1 460
Trade and other receivables	9 078	7 389
Current assets	10 571	8 849
Net cash	2 231	1 060
Total assets	21 183	17 131
LIABILITIES (million euros)	2000	1999 Pro forma
Share capital and reserves	4 079	2 032
Net profit attributable to the Group	421	45
Minority interests	668	801
Group shareholders' equity	5 168	2 878
Provisions for liabilities and charges	2 002	1 856
Financial liabilities	3 028	3 138
Long-term capital	10 198	7 872
Progress payments received on request	438	360
Other liabilities	10 377	8 776
Current liabilities	10 815	9 136
Short-term bank loans and credit balance	170	123
Total liabilities	21 183	17 131

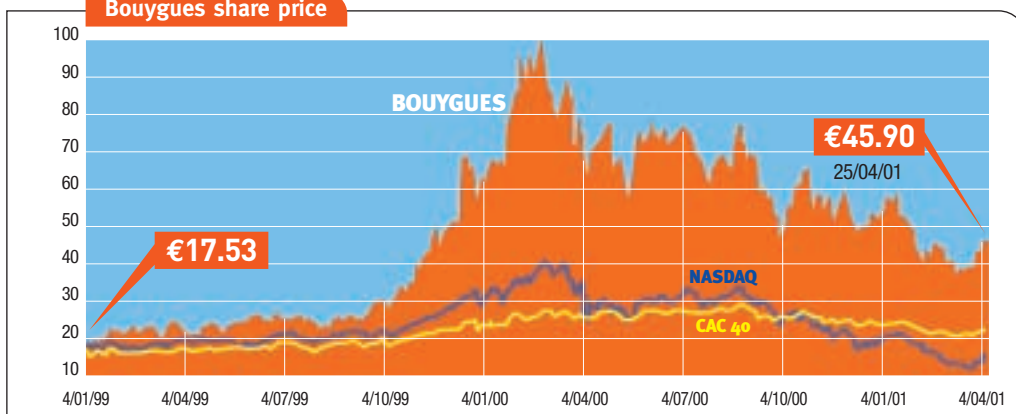
A financial review, approved by the COB (the French stock exchange regulator) is available upon request from company headquarters. The document contains accounting, financial, legal and stock market information on the Bouygues Group.

Consolidated profit and loss account

(million euros)	2000	1999 Pro forma
Sales	19 060	15 857
Other operating revenue	1 544	944
Operating expenses	(19 850)	(16 366)
Share in profits of incorporated joint ventures	58	49
Operating profit	812	484
Financial products and charges	(15)	(142)
Profit before tax and exceptionals of consolidated companies	797	342
Exceptional products and charges	15	(28)
Profit tax	(152)	(47)
Net profit of consolidated companies	660	267
Share in net income of equity affiliates	7	(3)
Goodwill amortization	(40)	(42)
Net profit before minority interests	627	222
Net profit attributable to the Group	421	45
Net profit attributable to minority interests	206	177

cial structure

Bouygues share price



Though traditionally compared with the French stock market index (CAC 40), the trend in the price of Bouygues stock correlates with telecommunication and new technology stocks, in the American NASDAQ index. Since 4 January 1999, their price has increased two and a half times, with an all-time high in March 2000.

Consolidated cash flow statement

(million euros)	2000	1999 Pro forma
A - Transactions linked to Group businesses		
Cash flow	1 213	676
Change in working capital	169	53
Net cash generated by operating activities	1 382	729
B - Investment transactions		
Increase in fixed assets	(2 650)	(2 114)
Disposals of fixed assets	577	115
Other changes	143	156
Net cash used in investing activities	(1 930)	(1 843)
C - Financing operations		
Increase in shareholders' equity	2 076	823
Dividends paid in fiscal year	(256)	(145)
Net change in financial liabilities	(143)	427
Net cash generated by financing activities	1 677	1 105
D - Net impact on changes in conversion rates and other non-cash movements		
	(4)	12
Movement in cash and equivalents (A+B+C+D)	1 125	3
Cash and equivalents at December 31st	2 060	937

Balance sheet Bouygues SA at 31 December

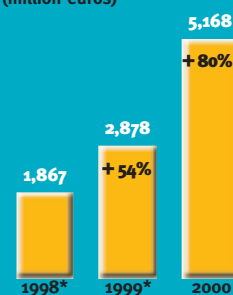
	2000	1999
ASSETS (million euros)		
Intangible and tangible fixed assets	9	10
Long-term investments	4 858	3 370
Fixed assets	4 867	3 380
Current assets	654	429
Net cash	733	86
Total assets	6 254	3 895
LIABILITIES (million euros)		
Share capital and reserves	4 265	2 135
Net profits	478	185
Shareholders' equity	4 743	2 320
Provisions for liabilities and charges	262	207
Financial liabilities	1 200	1 282
Long-term capital	6 205	3 809
Current liabilities	49	86
Total liabilities	6 254	3 895

Profit and loss account Bouygues SA

(million euros)	2000	1999
Sales	64	93
Other operating revenue	16	22
Operating expenses	(98)	(136)
Operating profit	(18)	(21)
Financial items and charges	442	43
Profit before tax and exceptionals of consolidated companies	424	22
Exceptional items and charges	50	172
Profit tax	4	(9)
Net profit	478	185

Total shareholders' equity

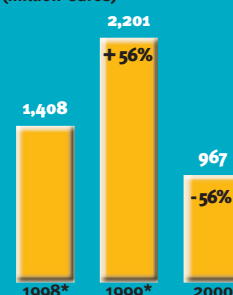
(million euros)



To meet its development plans for the future, especially in telecommunications, Bouygues has greatly increased its shareholders' equity over the past three years. In 2000 this was achieved through a share issue in April of 1.5 billion euros, the takeover of Colas in August (0.5 billion euros) and the good profit for the year (0.6 billion euros).

Net debt

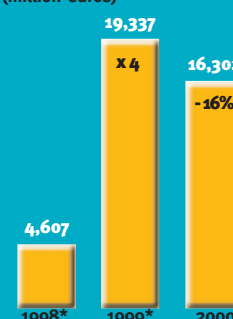
(million euros)



Increasing shareholders' equity enabled the Group to reduce its net debt to below 50% of its 1999 level. With a net debt-to-equity ratio of 19%, Bouygues is one of the major telecommunications operators with the least amount of debt.

Market capitalisation

(million euros)



Now perceived as a telecommunications stock, Bouygues' share price rose steadily from the end of 1999, reaching a record high in 2000, before suffering the effects of a fall in the value of telecom and new technology stocks.

*Pro forma

THE BOUYGUES

CULTURE

The permanence of any company depends on the satisfaction of its customers, employees and shareholders.

Corporate spirit and the capacity to follow through on complex projects, a trait born with Bouygues Construction, its original business, has become the cornerstone for the Group's development in other activities. This strong and original corporate culture, based on giving responsibility to staff members and fostering team spirit, has forged unity within the Group. Bouygues' position as

leader in the majority of its businesses reflects its dynamic conception of what a company should be. Five themes illustrate the Bouygues culture in action: practicing modern management which is respectful of employees, innovating in each business area, contributing to protecting the environment, ensuring that company information is shared, and being civic-minded and involved with the community at large.

Our ten corporate values

People are our greatest resource.

Customers' confidence and satisfaction are the *raison d'être* of any company.

Quality, the key to competitiveness, is the primary choice criterion.

Creativity enables us to offer original solutions to our customers.

Promotion is based on individual merit.

Training gives our people the means to improve.

Young people and their potential will forge the company's future.

Technical innovation improves cost efficiency and is the basis of our market leadership.

Challenge drives progress. To stay a leader, we must act like a challenger.

Attitude is more powerful than technical and economic strength alone.

People are our greatest resource.

HUMAN RESOURCES GUIDE

Created in 1989 on Martin Bouygues' initiative, the company's rules of conduct toward its employees are laid out via six key actions: anticipate, welcome, recognize, develop, share and respect.

MANAGING DIRECTORS

The Bouygues Management Institute enables the Group's 400 managers from its six different business areas to increase exchanges and enrich their vision through openness to internal and external experiences. The schedule for the year 2000 included: a day discussing the Internet, thematic breakfasts (management, remuneration, attracting and building loyalty among young people, the company, Europe, etc.) An international program motivated 23 managing directors to elaborate working proposals based on themes defined by the Management Committee (sharing know-how, growth strategies, culture and risk management).

COLAS UNIVERSITY

The Colas University was created in 1990 for French managers and technicians. Today it covers all units within Colas, ranging from a class for employees working in American companies, to setting up appropriate training sessions for managers of African companies.

QUALITY - A MANAGEMENT TOOL

For Bouygues, implementing a quality management system improves company performance and encourages forward thinking behavior. A Quality Committee for the Group was created in 1996 and the Group's Quality Policy published in 1998. Herein Bouygues confirms its desire to move from a product and procedure oriented approach to total quality management. Each company defines a quality

policy adapted to its individual structure, but still consistent with Group policy. Bouygues has been a member of the EFQM (European Foundation for Quality Management) since March 2001.

COMPANY SAVINGS

By the end of 2000, 48.5% of the French workforce within the Bouygues Group's member companies had subscribed to the Bouygues PEE (Corporate Savings Plan). At the end of 1999, more than 20,000 staff members participated in the share issue reserved for them, which was called "Bouygues Confiance".

SATISFACTION

Since its creation, Bouygues Telecom has conducted satisfaction surveys among staff members. In 2000, results showed that 66.1% were satisfied with their working conditions. Bouygues' image is not only endorsed by 76.5% of its staff members but also by young people between the ages of 20-25 who have voted it their favorite company (IFOP survey on the Internet for Newbiz magazine).

MENTORING

At Bouygues Offshore, experienced managers act as mentors for young managers during their first few months on the job. Free of any hierarchical structure, the new recruits can

discover the company in a relaxed, informal way.

TRAINING GROUND

Every year at Saur young people are hired and supervised by the Director of Human Resources in what is known as the "Training Ground Operation" ("Opération Pépinière"). At the completion of a series of training sessions in the Group's different activities, each person is given a function which best corresponds to his or her profile and professional ambition.

NEW IDEAS

ETDE (Bouygues Construction) invites new staff members to participate in workshops treating a variety of transversal themes such as ARTT, remuneration or organization, thereby associating the fresh eye of young recruits with the experience of seasoned staff members. This has not only proved to be highly efficient but it greatly contributes to the quality of the new employees' integration within the company.

TEAM MANAGEMENT

At TF1, an extensive training program enabled more than 700 managers and journalists, from young newcomers to top directors, to partake in some 900 sessions in order to improve their ability to motivate and lead others, both in terms of team management and running different projects.

THE BOUYGUES CONSTRUCTION CHALLENGE

26 universities and top French and European schools have already participated in the four editions of the Bouygues Construction Challenge. In this competitive event, students are given 24 hours to conceive and present a concrete commercial proposal, with approximately 20 of the Group's managers contributing their expertise.

SITE WORKERS GUILD

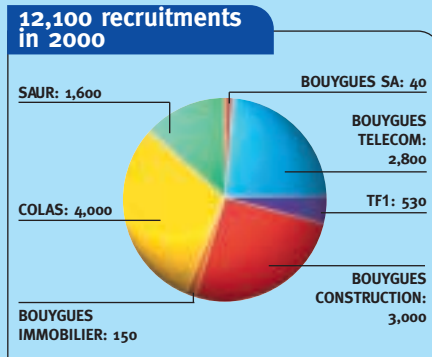
Since its creation in 1963 by Francis Bouygues, the order of the Compagnons du Minorange (Bouygues Construction), an elite group of site workers distinguished for their pride in quality work, has continued to grow. New orders adapted to other activities within the Group, such as Roadworks (Colas) and Public Utilities Management (Saur) have also been formed. Today the Group has 23 orders and 1,700 members.

SAFETY

For nearly ten years, Colas has campaigned to prevent accidents on the job, and thanks to this policy, it has reduced its work accident rate by more than half. In France alone, 126 of 350 work centers recorded no accidents at all for 2000. Colas is a reference for safety in the industry, as reflected in the numerous awards and distinctions its subsidiaries have won both in France and abroad.

CO-INVESTMENT TRAINING

As part of the agreement on a reduced workweek, Bouygues Telecom finances further personal training or education for its staff members during their free time. The workshops set up in 2001 include improving one's English through theatre, building confidence through humor, understanding how the French and American stock markets work and creating a Web site.



Management

Creativity enables us to offer our customers original solutions in all our businesses.

DIGITAL INFORMATION

In September 2000 and April 2001, LCI and TF1 respectively recorded, edited and broadcast all their televised images digitally. It does not matter where a story may be in the world; it can now be edited and broadcast within an hour.

CUSTOMERS' REASONING

Bouygues' e-laboratory, a research structure, has set up a software program that orients Internet customers to a product database according to their own freely expressed tastes and preferences. Bouygues Immobilier and Bouygues Telecom have combined forces to develop this project and adapt it to their individual needs.

NEW PRODUCTS

More than 800 staff members, engineers and technicians work at Colas research centers around the world. They develop at least one new product a year.

HIGH-PERFORMANCE CONCRETE

In partnership with Lafarge and Rhodia, Bouygues Travaux Publics (Civil Works) has developed and patented a new concrete called Ductal® which has an extraordinary resistance, much like steel. With Ductal® it is now possible to build much lighter structures, compared with those using traditional concrete, as well as the ones that have a much longer life span. More information about Ductal can be found on the ductal.com Web site.

MILLIMETER PRECISION

Renovating the Kingston Bridge in Glasgow while maintaining the flow of traffic was a matter of ultimate precision. The bridge's deck, weighing 52,500 tons, was lifted 1.5 centimeters and pushed 3 centimeters sideways thanks to an active control - hoisting hydraulic system developed by VSL, a subsidiary of Bouygues Travaux Publics. Then it was held in place with jacks for ten months with a precision of 0.1 mm.

FLOATING FACTORY

Bouygues Offshore, which heads a consortium of nine European companies supported by five oil companies, has developed a concept for floating units to produce and store offshore, liquefied natural gas.

MORE SAFETY

With ACE, (Active Concrete Engineering) Bouygues Construction has installed electronic captors in infrastructures (in bridge cables, for example), which allows for greater control in case of storms or earthquakes.

BRAINPOWER

Bouygues Construction has more than 2,000 staff members divided into teams covering research and planning, engineering and methods.

UNIQUE SKILL CENTER

In the fall of 2000, the research laboratories within Colas, Sacer, Screg and Smac Acieroid consolidated, along with computations specialists who assist with the Group's big projects, were all grouped at the Magny-les-Hameaux campus, a science and technical university in the Yvelines region. This ensemble is the first private research center for roadworks in the world.

INTERACTIVE TELEVISION

91% of subscribers to TPS, the satellite broadcaster, use the 40 or so interactive services available. With their remote controls, subscribers may send e-mails, obtain personalized weather reports, place bets at the racetrack, purchase on-line, etc.

CD A LA CARTE

In June 2001 the tf1.fr Web site will offer a personalized CD to its Internet visitors. From a large, varied selection they will be asked to compose a musical CD of their choice, and will then receive the CD by post.

HOMEBUYING MADE EASY

In partnership with the Caisse d'Epargne d'Ile-de-France, Bouygues Immobilier offers an integrated financial formula for new home purchasers called *Intégralimo*. No personal upfront cash is required; there are no filing fees and no down payment on reservation. Reimbursement begins only after the customer moves in. *Intégralimo* is an innovative product in real estate promotion targeting individual buyers and investors.

SPONSORED PROGRAMS

By creating short programs of no more than 2 minutes covering a variety of themes such as the Internet, the World Cup, or music, TF1 is responding to an important advertiser request: to sponsor programs of quality content at heavy viewing times. This represents yet another innovative commercial initiative which is also greatly appreciated by the public.

MARKETING CREATIVITY

The 200,000 tons of sand polluted by the Erika are being treated by Bouygues Construction's subsidiary, Brézillon, the only candidate to present a pilot version of its

cleaning process as soon as the commercial phase got under way. The solution: a global treatment of the components, and the recycling of end wastes (plastics, vegetable matter and sediments) via a thermal desorption machine designed by Brézillon.

CREATING THE CONCEPT "FREE OF CHARGE"

With Spot, a variation of Nomad, the prepaid card service, Bouygues Telecom is the first French telecommunications operator to offer free speaking minutes in exchange for listening to commercials.

COMPUTERIZED CATALOGUE

Rather than carrying around cases of videocassettes, sales representatives for TF1 International (a distribution subsidiary of TF1) have laptop computers containing integrated databases, video clip extracts and photos of all the catalogue products. This way, at each meeting, reps can automatically produce a report file listing the products that interest their clients and immediately print up a pre-contract.

PERSONALIZED OFFER

Habitat, Bouygues Construction's housing subsidiary, has designed "Packs" which include specially selected home equipment and facilities based on different themes (safety, comfort, fittings for rentals, etc.) Developers can thereby propose these "packs" to their clients as a way to personalize their home.

TRAINING

In addition to product information, Bouygues Telecom is the only French operator to offer its distributors training in sales and sales team motivation.

Preserve and improve the **resources** for future generations through all our business activities.

Environment

BATTERY RECYCLING

Customers can deposit the used batteries of their mobile telephones in specially marked containers found in Bouygues Telecom stores and at "after sales" service counters. A European panel has classified these batteries as being "dangerous waste". After being deposited, a battery treatment company then collects and recycles them.

ROAD SAFETY

Eliminating all products and procedures which present a health hazard, developing a new light-colored cold coating which improves visibility in tunnels while reducing the energy it takes to light them, and developing new bonding layers for cleaner work sites – these are just a few examples, which illustrate how Colas is committed to improving its products to ensure they do no harm to the environment.

NO SALT

80% of the drinking water in Las Palmas, in the Canary Islands, is supplied by a subsidiary of Saur called Emalsa and its three salt water desalination plants. This technique makes it possible to compensate for the Island's extremely rare water resources, and guarantees the development of the tourist and agricultural industries, which are the mainstays of its economy.

CLEANING THE SOIL

Colas Environment and Recycling has perfected a means to clean the soil via thermal desorption. The soil is heated to approximately 500°C at which point the pollutants evaporate without altering the nature of the soil. The pollutants are then eliminated in a gaseous state through a combustion process at 900°C. This technique has been tested and proven successful at Amponville in the Seine-et-Marne department of France.

"GREEN" BUILDINGS

Bouygues Construction is concerned about reducing the impact on the environment of each phase of its building activity (construction, use, renovation, destruction). To this end it has developed the concept of "green" buildings, which are designed with solutions for thermal insulation and soundproofing. Bouygues Construction therefore contributes to the overall efforts made to reduce energy consumption and to use resistant and long-lasting materials.

RECYCLING MATERIALS

Recycling techniques, which are frequently developed and used by Colas, help save on road aggregates. Prior to renovation, the road's surface is destroyed and the materials recycled into a new coating, which then will be used to make the new road.

FACING THE WIND

Bouygues Offshore has conducted research to study the applications of wind turbines, a booming new market. The installation of these turbines will be progressive and carried out in increasingly difficult conditions according to water depth, sea surface and distance from the coast.

SILENT ROADWAYS

For the past several years Colas and its subsidiaries have developed special surface coatings, which reduce rolling noise by 70%, compared to traditional coatings. Colsoft, the first product of this kind, contains rubber made from recycled tires.

RESPECTING THE COUNTRYSIDE

Stéreau, a Saur engineering subsidiary, rebuilt the Caen water treatment plant by integrating it into the natural environment, complete with filtering gardens planted with

reeds and willows and a sophisticated night lighting system for the buildings and grounds.

CLEAN WORKSITES

STMicroelectronics is concerned about environmental issues. In response, Bymaro, the Moroccan subsidiary of Bouygues Construction, installed a selective waste collection system on its site, for which it was then given a "clean worksite" certificate.

CLEAN WALLS

Coved, Saur's waste management subsidiary and the lead company in a group which has contracted with the city of Paris to remove graffiti from private buildings on public streets, up to a height of four meters, has had a successful debut. In line with the objectives and fifteen months after the clean up began, 90% of the 240,000 square meters of graffiti has been removed.

HIDE AND CAPTURE

In 2001, Bouygues Telecom is installing micro cells, a new kind of antenna capable of absorbing traffic peaks in large agglomerations while being easily concealed in the urban environment.

ECOLOGICAL GARBAGE TRUCKS

The 18 garbage trucks which Coved, Saur's waste management subsidiary, uses to collect the city of Rouen's garbage, run on natural gas. This technique greatly diminishes polluting emissions, does away with fumes and reduces engine noise.

TRANSPARENCY

Bouygues Telecom gives public access to all information available on the potential health hazards of radio frequencies. bouygtel.com/sante draws up an international scientific research inventory and issues reports on new steps that are being taken in this field and their results.

OIL

For all of its drinking water facilities with ISO 14 001 certification and those in the process of obtaining certification, Saur has replaced its industrial oils with food oils in order to avoid pollution risks.

NUCLEAR DISMANTLING

The irradiated fuel from the Chernobyl nuclear plant will be stored in structures designed and built by a consortium that includes Bouygues Travaux Publics (Civil Works). This work, the most important to be undertaken since the 1986 nuclear accident, represents the first dismantling phase before the plant closes definitively.

HEALTH

The Saur continues to develop tools for analyzing drinking water, and thanks to a DNA identification device, is now able to detect and recognize pathogenic agents (bacteria, amebas, etc.).

MAGAZINE

Abnormal climatic conditions, greenhouse gas effects, biological agriculture, deforestation . . . such important, current ecological issues are treated every six weeks on LCI's *Ecolo Mag* with station hosts Elsa Vecchi and Nicolas Hulot.

SUPER FILTER

In the Charente region of France, Saur built a drinking water production facility using a super-filter process, which eliminates virtually every undesirable entity contained in drinking water without adding any reagents. This is done via a membrane, whose pores measure only a few hundredths of a micron, which traps elements and pathogenic germs on its surface.

Attitude is more powerful than technical and economic strength alone.

Information

INFORMATION MEETINGS

A Group Convention, is convened every four years by Martin Bouygues to inform 1,500 managers about current issues and strategies. Each Bouygues business activity also organizes one or more meetings per year for its staff members. These can total up to 35.

SHARED CULTURE

In addition to the specific procedures followed by each business group or individual company, Bouygues, since 1989, has organized "Welcome Days" four or five times a year for all newly recruited managers. They receive a Group presentation and are brought together in different workshops where they are encouraged to exchange ideas on different subjects. Martin Bouygues then responds to their individual questions at the end of the day. In 2000, 1,200 staff members participated in these events in which the organizers explained the Bouygues corporate culture and the shared values of the different business groups.

THE BINDING LINK

Le Minorange, the Group's corporate magazine, was first published in 1963. With 50,000 copies in circulation, this bilingual publication informs staff members throughout Bouygues' business units about current issues, projects and strategic choices in the Group. In addition to *Le Minorange*, there are over 60 in-house newsletters which keep staff members well informed.

LUNCHEON EXCHANGE

Twice a month, some twenty managers from different businesses are invited to lunch with Martin Bouygues, who is there to listen and respond to their questions. The guests are free to bring up any subject they like.

EUROPEAN DIALOGUE

A 1995 agreement between Bouygues and the unions has led to the forming of a "European Dialogue Group", chaired by Martin Bouygues. It convenes once a year and treats economic, financial and social questions that have to do with the Group on a European scale.

GETTING TO KNOW ONE ANOTHER

In March of last year at Paris' Palais de Congrès, 1,400 managers from around the world got together for four days at the Colas International convention. It was an opportunity for Colas to present its company values, know-how and the important directions for the future.

FUNCTIONAL DEPARTMENTS

Quality space, a forum on human resources, a Group database committee, a communication meeting, a legal seminar: the functional departments of the Group's different activities are regularly invited to meet and work together on concrete material, harmonizing their procedures and exchanging their points of view and experiences.

CULTURAL VITALITY

On 9 March 2000, Bouygues Telecom invited all of its staff members to a party called "A BouygTel Night" at Paris' Longchamp hippodrome. This was a perfect example of the company manifesting its desire to reinforce relations among staff members and demonstrate its robust and vital culture.

SHARED RESEARCH

Bouygues Construction's research department is composed of professionals specialized in the treatment and management of information. It responds to staff members' questions concerning building projects, financial subjects and current social issues. Establishing an intranet site allowed staff members access to the company's research base, surveillance services and thematic files compiled on request.

MULTIPLE INTRANETS

Business tools, information portals, research sources, simplifying factors for internal administration - such is the multiple vocation of the Group's intranet sites. Although it is difficult to count them all, it is estimated that 100 were in operation at the beginning of 2001.

AWARDS

At the 2000 Net Congress, Bouygues Telecom was awarded Best Corporate Intranet for its intranet site, *Wooby*, launched in January 1999. The European Union, the Ministry of Economy and Finance, and the Medef sponsored the Congress.

REACTIVITY

It is a strong priority within the Group to inform staff members as quickly as possible about important events and issues. So the intranet portals of the main business activities publish daily on-line Webzines (Bouygues Telecom, Bouygues SA) or information flashes (Bouygues Construction, Saur) as they become available.

SURF AND FIND

Since 1990 *Mobilitel* offers an internal employment exchange, which registers job openings and enables staff to freely express their objectives. Accessible via Intranet, the Internet and Minitel, *Mobilitel* posts approximately 400 employment opportunities per year and accumulates roughly 15,000 connections.

INTERNET ACCELERATOR

In order to animate an e-business network throughout the Group's business units, in November 2000 Bouygues launched an Intranet site focused on shared experiences and technological market intelligence. *ebouygues.com* issues reports on workshops which bring staff members of the six different business activities together along with representatives of large companies to cover themes such as e-commerce, e-procurement, and e-learning. These workshops can then foster discussion groups via forums.

TRANSPARENCY

In a personalized area on their intranet site, *Wooby*, Bouygues Telecom staff members can calculate their overall compensation packages and appreciate their progressions: salaries, PEE's (Corporate Savings Plan) and advantages in kind are all taken into account in order to then establish complete personal evaluations.

EXHIBITIONS

The technology exhibition held at Challenger in October 2000 included such demonstrations as a Cyber café, Webcamers, automobiles of the future, e-book workshops, and Internet-connected refrigerators. These types of exhibits are organized regularly and treat different, strategically relevant themes. In April 2001, for example, Innovation in Customer Services was the priority topic.

ESSENTIAL INTRANET

Wooby provides Bouygues Telecom staff members with the essential information they need to work well and facilitate daily life. They particularly approve of the directory (5,000 visitors per week), *6 sens express*, the on-line daily (3,000 visitors per week) and the organization chart (800 visitors per week).

A commitment to be a responsible and supportive member of the community in all our activities.

Civic action

HERITAGE

In an ongoing effort to preserve France's cultural heritage, Bouygues sponsored the Nattier exhibition from 28 October 1999 through 30 January 2000. Held at the Château de Versailles, the show displayed over 80 major works by the eighteenth century French portrait painter.

MUSIC FESTIVALS

Already a patron of "Aix-en-Musique", Bouygues Immobilier is again a partner in the 32nd annual Summer Music and Culture Festival at Saint-Denis (Paris region). During 2001 the festival will sponsor Mozart's *Requiem*, to be played in the Saint-Denis basilica, the necropolis of the kings of France. The Stade de France and Bouygues Bâtiment consortium will also sponsor the event.

SUPPORTING THE OLYMPIC BID

Bouygues and seven other internationally known companies support Paris as a candidate to host the 2008 summer Olympic games. They will work to publicize bid Paris 2008 and to raise for the committee the finances necessary for the city to be successful.

ETHICS

In March 2001, Bouygues' Board of Directors created an ethics and sponsorship committee responsible for ensuring that the Group's values and rules of conduct are respected, and for voicing its opinion regarding the different events for which Bouygues' sponsorship is solicited.

TOP QUALITY ATHLETES

The Bouygues Group enables staff members to reconcile professional and athletic careers thanks to a genuine integration policy in which athletes can arrange their work schedule around their athletic training and competitive events calendar. The Group now has five Olympic fencing champions on its staff.

COLAS FOUNDATION

The Colas Foundation sponsors painting and music. Created in 1991, it mainly promotes contemporary painting, which treats "road" themes. To date, the Foundation has exhibited more than 100 such paintings. The Colas Foundation also supports young musical talent and sponsors French music festivals such as Marciac and Aix-en-Provence.

ROADWORK INSTRUCTION

As the concessionaire for the N4 toll road, which runs between Johannesburg (South Africa) and Maputo (Mozambique), Bouygues Construction has built three training centers along the N4 for the local inhabitants. These centers have not only enabled both South Africans and Mozambicans to join the work sites but they have also trained local company managers in the sub-contracting business.

PROFESSIONAL TRAINING

In 1997, Bouygues and its partner, the Chamber of Commerce and Industry at Versailles, established the Gustave Eiffel Center, a training school offering a work-study program for young people between the ages of 16 and 25. Here they can earn a degree as well as learn a profession. Altogether, 105 students have earned degrees in four different educational areas and the Bouygues Group has recruited 75 of them.

IN-HOUSE COMPETITION

€6,098 assisted a young Bouygues Telecom staff member in completing her own personal project - building a school cafeteria in the Ivory Coast, for which she won first prize ex-aequo in Bouygues Telecom's in-house project competition. Eleven other prizewinners won from €1,829 to €6,098.

SIDACTION

TF1, *tf1.fr* and the association "Ensemble contre le sida" (Together against HIV)

are supporting a fund-raising event whose goal is to discover a vaccine against the HIV virus. In May 2000 and 2001 a weekend special including broadcasts, a call-in telephone switchboard and short films was devoted to the operation, which was called "HIV: 24 hours to find a vaccine."

YELLOW COINS

In 2000, TF1 renewed its "Yellow Coins" operation as part of fund-raising efforts organized by the French Hospital Foundation and Paris Hospitals to help hospitalized children. The television channel rallied to the occasion over a weekend as its news broadcasts covered the different stages of the specially chartered high speed train (TGV), and contributed to collecting over 6.7 million euros, or the equivalent of 1,100 tons of coins.

CHARITABLE ADVERTISING

TF1 regularly proposes advertising space to charitable works. During the year 2000, the channel devoted approximately 0.5% of its advertising sales to supporting important causes. In addition, a part of the profit from calls from television viewers who wished to participate in "Qui veut gagner des millions?" was donated to the France Foundation.

AN ODYSSEY OF THE HEART

For their 2001 tour, the "Restos du Cœur" received a special evening complete with promotions, broadcasts, and special reports from TF1. The program emphasizes TF1's commitment to defending important human causes.

A SHARED CHILDHOOD

SOS Villages d'Enfants, an association with which *tf1.fr* is closely involved, welcomes orphaned children or children abandoned by or separated from their families, in an attempt to give them a normal life. Partners with *aucland.fr*, an on-line auction site, SOS Villages d'Enfants organized a sale of exceptional collectors' items, which had belonged to the French soccer team.

ROAD SAFETY

"If everyone were to do just a little, then life would be the winner!" This is the slogan for an advertising campaign on road safety with which TF1 was associated. For one month, TF1 ran the campaign, composed of anonymous testimonies and ones by well-known personalities.

SOCIAL COMMITMENT

Helping young people move society forward is the goal of the National Project Competition, initiated by Bouygues Telecom. Thirty projects developed by 18-25 year olds have been collectively awarded €15,245, and have supported such civic actions as society against exclusion, developing the local community's economic fabric and promoting humanitarian aid, etc.

SOLIDARITY IN THE IVORY COAST

The Compagnie Ivoirienne d'Electricité and the Sodeci, local subsidiaries of Saur have initiated numerous civic-minded actions, some of which include: the fight against HIV, sponsoring associations which support handicapped or orphaned children, and supporting blood donors, social funds promoting solidarity in health, and school scholarships. These actions demonstrate an important, long-term social and economic commitment.

BUILDERS OF HISTORY

Bouygues is a patron of the "20 Centuries of Cathedrals" exhibition, which will be showing from June 29th through 4 November 2001 at the Tau Palace in Reims, in eastern France. The Group, along with foundations such as Electricité de France, Gaz de France, Crédit Agricole and the Chevalier Conservation workshops, has helped bring together over 250 works from 55 cathedrals throughout all regions of France: from Philippe de Champaigne tapestries to stained-glass windows by Chagall and paintings by Delacroix.

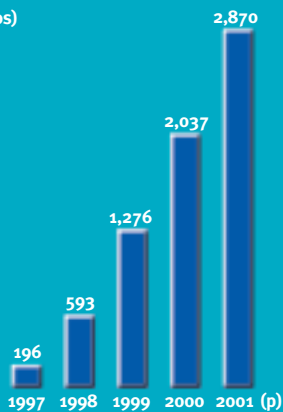


Telephone

MOBILE MULTIMEDIA FO

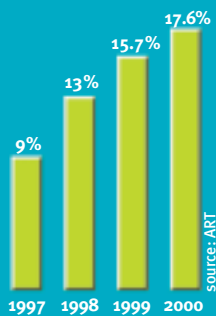
Sales: + 60% in 2000

(million euros)



Steady market growth

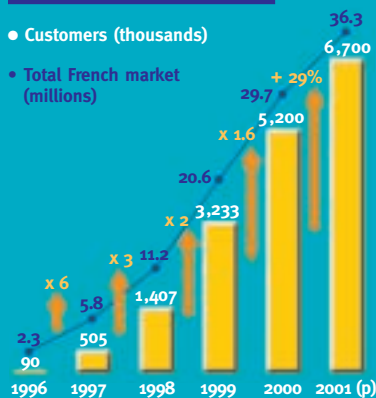
Market share



Business performance

• Customers (thousands)

• Total French market (millions)



services

R EVERYONE





FIVE YEARS OF INNOVATION

- 1996** **Bundle tariff** and free voice mail
- **Kiosque services**
- 1997** Caller ID display
- Bundle tariff includes handset
 - Enhanced Full Rate **Digital Sound**
- 1998** **Scoop** - Telemessaging information service
- Express line installation
 - **Liberté** - a bundle tariff offering the same per minute rate for additional time
 - **Express M@il** - a mobile e-mail service
 - **Mobile Direct** - the first mail-order company to sell mobile phones by mail and Internet
- 1999** On-site **replacement service for corporate clients**; out-of-service mobile phones are replaced within 24 hours
- **Nomad** - a service which customers can cancel at any time
 - **Ultymo** - bundle tariff with free and regular replacement of the handset
- **Ultymo Millennium** - bundle tariff with free and unlimited calls on weekends
- 2000** **Spot** - two communication possibilities: one paid, one offered by advertisers
- **Ado** - first bundle tariff reserved for adolescents
 - **Passio** - first offer replacing fixed at-home telephone services with mobiles
 - **Bouygues Telecom Academy** - first professional and technical training program for distributors in France
 - **Satisfaction Contract** - our exclusive commitment to quality
- 2001** **Free e-mail** address accompanied by a **personal assistant** (agenda, directory), available from a cell phone



Bouygues Telecom offers its individual and corporate customers bundle tariffs or prepaid card services for cell phones as well as a complete range of services, including telemessaging, voice mail and WAP. The company kept up a strong pace in new client gains, despite the slowdown in market in 2000. Due to its efforts to reduce costs, while meeting its obligations, the company recorded a positive EBITDA. Its market share increased 1.9%, a growth mostly attributable to Carte Nomad, the prepaid card service. And the Telecommunications Regulatory Authority confirmed the quality of Bouygues Telecom's network.

In January 2001, Bouygues Telecom found the conditions for receiving a UMTS license too dissuasive and decided not to follow through with its application. Instead, it will concentrate on the technical progress of GSM/GPRS and develop an alternative multimedia strategy, which will enable it to quickly propose to the general public useful and simple offers at affordable prices. However, if conditions are more favorable, Bouygues Telecom does not exclude the possibility of bidding in a second contest for a UMTS license. In 2001 Bouygues Telecom forecasts sales of over 2.8 billion euros and a positive EBIT. Its two main objectives are to confirm its position in the web portal market and e-commerce, and to prepare its GPRS launch scheduled for 2002.



KEY FACTS

- **5.6 million customers** as of 31 March 2001
- **17.6% market share** (French cell phones) in December 2000
- **Positive EBITDA in 2000: 98 million euros**

● **Alternative mobile multimedia strategy:**

On 31 January 2001, Bouygues Telecom decided not to follow through with its application for a UMTS license and instead to concentrate for now on the GPRS technology. In this way it will continue to control its mobile multimedia development and its investment calendar.

● **Creation of the 6^e sens portal:**

More than 200 multimedia services exist with telemessaging, voice mail and WAP. The creative personal voice mail service is among the most successful, with more than ten thousand downloaded messages since it was introduced in November 2000 (figures from March 2001). In 2004, revenues for combined services will represent 25% of total sales.

● **Rapid growth for telemessaging (SMS):**

A monthly average of 40 million messages are sent via SMS (1st quarter 2001)

ROAMING: A NEW SOURCE OF REVENUES

(figures from February 2001)

Bouygues Telecom has roaming agreements with **210 foreign operators**, thereby enabling it to cover **110 countries**. In 2001, this business will generate 5% of total sales.

FOUR SUBSIDIARIES IN FRANCE

● **Téléciel** (cell phone and audiovisual equipment wholesaler)

● **Distribution Réseau Boutiques** (Bouygues' own network of 120 stores)

● **Bouygues Telecom Caraïbes** (French West Indies and French Guiana)

● **Mobile Direct** (mail-order sales of Bouygues Telecom products)

ONGOING CONCERN: OUR CUSTOMERS

● **2,500 customers assistants** dispatched in 6 call centers throughout France answer customer questions 6 days a week. Two call centers opened in 2000, and another is planned for 2002.

COMPLETE COVERAGE

(figures end 2000)

● **7,800 transmission sites** in France

- Network covers:
 - **98%** of the French population
 - **84%** of the territory
 - **99%** of highways
- **6,500 kilometers** of coastline
- **800** beach resorts
- **120** mountain resorts

SATISFACTION CONTRACT

Bouygues Telecom has set up a satisfaction contract, consisting of 6 exclusive quality commitments:

- **Service:** consultant availability
- **After sales:** free, immediate telephone loan when one's phone is out-of-service
- **Progress:** regular telephone replacements
- **Flexibility:** possibility to modify bundle tariffs and recharge Nomad Card
- **Price:** automatic application of lower rates
- **Quality:** Enhanced Full Rate Digital Sound

SUCCESS OVERSEAS

● **20,000 customers** came on board within the first month following the commercial launch of Bouygues Telecom Caraïbe, a Bouygues Telecom subsidiary since January 2001.

Consolidated balance sheet at 31 December

ASSETS (million euros)	2000	1999 Pro forma
Intangible fixed assets	290	65
Goodwill	2	3
Tangible fixed assets	2 247	1 745
Long-term investments	3	4
Fixed assets	2 542	1 817
Stocks and work in progress	116	170
Trade and other receivables	2 028	1 625
Current assets	2 144	1 795
Net Cash	698	4
Total	5 384	3 616
LIABILITIES (million euros)	2000	1999 Pro forma
Share capital	561	463
Reserves	802	(31)
Net profit attributable to the Group	(277)	(137)
Shareholders' equity	1 086	295
Provisions for liabilities and charges	151	80
Financial liabilities and loans	2 865	2 146
Long-term capital	4 102	2 521
Progress payments received on request	1	1
Other payables	1 280	1 094
Current liabilities	1 281	1 095
Short term bank loans and bank credit balance	1	—
Total	5 384	3 616

Sales 2000

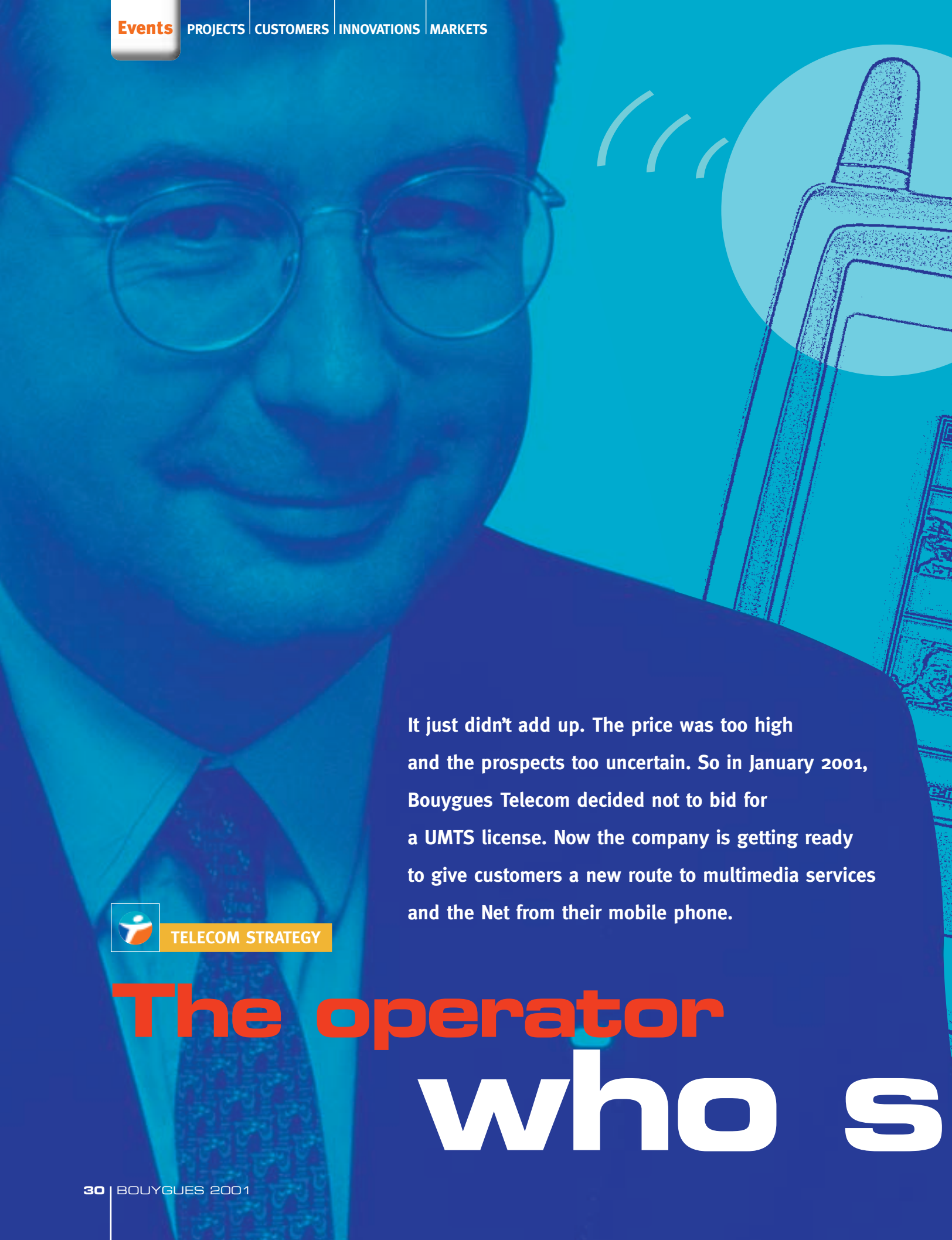
2 billion euros

Employees

6,600

Consolidated profit and loss account

(million euros)	2000	1999 Pro forma
Sales	2 037	1 276
Other operating revenue	1 637	1 002
Operating expenses	(3 869)	(2 720)
Share in profits of incorporated joint ventures	—	—
Operating profit	(195)	(442)
Financial products and charges	(152)	(119)
Profit before tax and exceptionals of consolidated companies	(347)	(561)
Exceptional products and charges	(11)	3
Profit tax	81	421
Net profit of consolidated companies	(277)	(137)
Goodwill amortization	—	—
Net profit before minority interests	(277)	(137)
Net Profit attributable to the Group	(277)	(137)



It just didn't add up. The price was too high and the prospects too uncertain. So in January 2001, Bouygues Telecom decided not to bid for a UMTS license. Now the company is getting ready to give customers a new route to multimedia services and the Net from their mobile phone.



TELECOM STRATEGY

The operator who s



On 30 Jan. 2001, the van that was to deliver Bouygues Telecom's application for a UMTS license drove off from the company's headquarters. . . empty. The Bouygues board of directors had just announced that the operator would not enter a bid in the "beauty contest" that the French government had planned since June 2000. Astonishment was the reaction in the telecom industry. Everything had been ready to go, however: a 5,000-page proposal, including a 1,500-page, point-by-point response to the 14 criteria on which the selection would be made. The financing for the rollout of the third-generation network, whose cost was estimated at €10.1 billion, had been arranged with shareholders and bankers. Bouygues had financial resources adequate to support a venture of this scale. And it would be able to construct its UMTS network rapidly. The leases on one-tenth of Bouygues Telecom's transmission sites had already been renegotiated so that UMTS antennas could be set up.

"After the period of doubts came the time for decisions," Martin Bouygues commented during a press conference on 31 January. "UMTS is definitely a promising approach, but initially an uncertain one, involving considerable risks." Developing UMTS is an undertaking in which the operators' revenues are unpredictable, the technologies are neither tested nor proven, the date when handsets will be ready keeps getting pushed back and the market does not exist yet. In short, the risk of not recovering one's investment is significant.

An excessive tax

The conditions placed on the eventual winners also raised concerns. The price of a license – €4.95 billion – was much too high in the opinion of both the Bouygues and Bouygues Telecom boards. It had been set in relation to the huge sums paid in Britain's 3G auction and not readjusted when the speculative bubble burst, as was done in Spain, Italy, ▶

aid NO

THE CONDITIONS IN FRANCE'S 3G LICENSE CONTEST

4

The number of operators to be selected.

€4.95 billion

The fee per operator.

15 years

The license's period of validity, starting from the date awarded.

20%

Minimum coverage of the population required within 2 years (60% within 8 years).

► Switzerland, Portugal and the Scandinavian countries. Making a profit with UMTS after paying such a price assumes that per-customer revenues will soar; in fact, they have been steadily declining in Europe. Martin Bouygues had already issued a warning in May 2000: "It's a tax of a magnitude never seen in any country, levied on a new product even before it has been created. This amounts to suffocating the market before its birth." He also criticized the anti-competitive character of the fee, which would be the same for all the operators selected, even though they do not have the same number of customers. Bouygues Telecom has 5.2 million, SFR 10.2 million and Itineris 14.3 million. This approach is also in contradiction with a decision of the European Parliament, which stipulates that "licenses should be granted on the basis of objective, non-discriminatory, detailed and proportionate criteria" and that "any spectrum pricing method should not adversely impact on the competitive structure of the market."¹

Operators in danger

The cost of UMTS licenses, which now totals nearly €130 billion in Europe, weakens the operators by creating a financial risk. Plus, there are the capital expenditures to build the networks – which will come to

¹- Decision No. 128/1999/EC of the European Parliament and of the Council of 14 December 1998 on the coordinated introduction of a third-generation mobile and wireless communications system (UMTS) in the Community.

The first GPRS services are slated for launch in early 2002.



between €150 billion and €180 billion, depending on whom one asks – and the need to cover initial operating losses (services, customer acquisition, handsets, etc.). These colossal sums, which have to be raised in the financial markets, have caused the investment rating services² to downgrade or put a watch on the securities of most wireless operators. The equity markets have reacted negatively. The stock prices of mobile phone companies have plunged 50% since the auction in Britain. In December 2000, the Banque de France cautioned banks to reduce their lending to operators and warned that it would be monitoring their loan commitments. It expressed the view that it would be “desirable that the total indebtedness of French companies in the telecommunications sector remain proportional to the relative size of this sector in the French and international economy.”

Bottlenecks

Besides having to pay an exorbitant price for the license, winners would be required to meet a second obligation that was fraught with consequences. They would have to cover at least 20% of the population within two years and 60% within eight years. “Obliging all the operators to invest at the same time is absurd,” points out Martin Bouygues. Why? Because the big demand for equipment will create a bottleneck at the manufacturers, making it unrealistic to expect the UMTS networks to be up and running by the government’s target date of 1 Jan. 2002. And that’s without considering that the mobile handsets are not ready. Third-generation mobile phones won’t be available from the manufacturers next year, but in 2003 or 2004 at the earliest. According to the projections of operators and equipment makers, the general public should be able to buy them in 2004 or 2005. Last, the UMTS market does not exist yet and will require time to mature. It took mobile phones 12 years to reach 20% penetration and the Internet nine years. All these things combined suggest that the wireless operators will not be able to offer UMTS services until several months, if not several years, after they receive their license. (These are granted for a period of 15 years, starting from the date they are awarded.)

A wall of incomprehension

Martin Bouygues had been alerting European and French officials to the dangers of the UMTS adventure for months. He put forward his arguments at the Institut de l’Audiovisuel et des Télécommunications

2- They monitor the financial soundness of listed companies.

Licenses awarded in Europe

	Price (€bn)	Number	Period in years	Price per capita (€)
Germany	50.8	6	20	619
United Kingdom	38.8	5	20	624
France	19.8	4	15	337
Italy	12.2	5	15	211
Netherlands	2.7	5	15	172
Spain	2.0	4	20	52
Norway	0.2	4	20	49
Switzerland	0.1	4	15	23
Sweden	+/- 0	4	15	0
Finland	+/- 0	4	20	0
Others	3.2			
Total	130			

Bouygues’ financial structure is solid and would have had no difficulty supporting the development of UMTS services

€bn at 31 December	1998 equiv. basis	1999 equiv. basis	2000
Consolidated shareholders’ equity	1.9	2.9	5.0
Consolidated net debt	1.6	2.2	1.1
Net debt/shareholders’ equity	83%	77%	22%
Shareholders’ equity - parent company	1.3	2.3	4.7
Net debt - parent company	0.6	1.2	0.5
Net debt/equity - parent company	44%	52%	11%

(IDATE), in November 1999, then in the press (*Le Monde*, in May 2000, and *Les Echos*, in December 2000) and in meetings in Brussels and at French institutions. On each occasion, Bouygues’ chairman found himself facing a wall of incomprehension. What were his questions? Why doesn’t Europe want to apply the same recipe that made GSM a success: impose a standard and then trust the market? How does France expect to close the “digital divide” if it taxes operators so heavily? Why, under the pretext that mobile multimedia are transmitted on radio frequencies, should they be subject to such an unreasonable charge? And why just mobile multimedia? Why not the Internet delivered over fixed lines or local radio loops? “Why do you want to compromise a technology’s development before it even sees the light of day?” protests Bouygues.

Many financial analysts and experts in the telecom sector suggested that Bouygues Telecom’s candidacy called for a partnership. The Group’s rejection of this idea is based on reasoning it has long applied in its construction business. If a project seems ▶

THE CONDITIONS IN FRANCE’S 3G LICENSE CONTEST (CONT.)

14

The number of selection criteria.

- No substantial change in the candidate’s ownership while the bid is being considered.

► interesting but involves risk, then it's prudent to form partnerships to share that risk. Bouygues has regularly put this principle into practice in setting up joint ventures. But, advises Bouygues, "when a project looks bad, don't do it, with or without a partner. Sharing it won't make it better."

A different approach

In view of all these contradictions, Bouygues Telecom has decided to take a different approach to mobile multimedia. With the major advances in digital compression technology, which were unforeseen just a short while ago, the situation has changed. TF1, a leader in this field, says that in 2002, transmitting video to a mobile phone will require less than 20 kilobits per second (compared with 30 kbps today) and to a personal digital assistant less than 30 kbps.

At that point, network capacity will no longer be a hindrance. Thus, thanks to the progress in digital compression, the second-generation technologies GPRS and EDGE (a system that accelerates transmission rates) can be used to build the mobile multimedia market. The great advantage of this approach is the development cost, which is five times less than for UMTS. Bouygues Telecom will therefore be able to offer mobile multimedia access at the lowest price, an essential condition for attracting the public. "Competitive services are essential to a truly democratic offer," says the CEO of Bouygues Telecom,

Digital compression allows video to be transmitted to mobile phones.



Bouygues Telecom doesn't rule out being a UMTS bidder later, if conditions are more reasonable.

Patrick Leleu. "This ambition has driven us from the start and helped to make mobile telecommunications a democratic phenomenon in France." Mobile multimedia definitely has the potential to become a mass market. A 2000 Sofres survey found that 47 percent of French people and 60 percent of Bouygues Telecom's customers are interested in having a pocket-size, easy-to-operate device with a screen that they can use to phone, see the person they are talking to, make videos and send short messages; one that will also access Web sites for news, entertainment and shopping; as well as take photos and archive them or send them over the Internet.

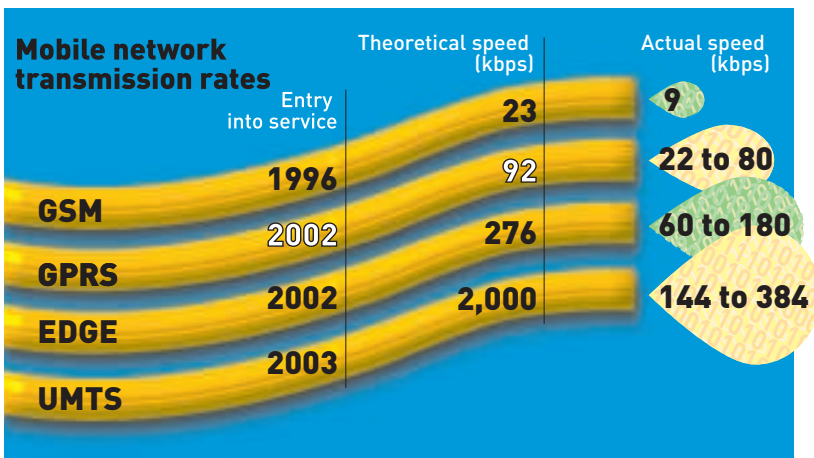
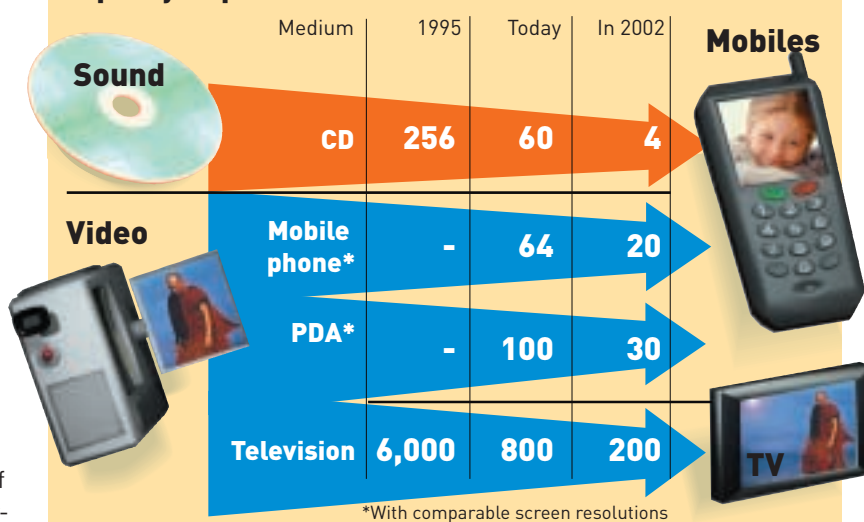
Within everyone's reach

Bouygues Telecom is sticking with the policy that has brought it success: offering consumers products that are useful, simple, high quality and affordably priced. "Our business strategy is based on the idea, indeed the obsession, that we must continually improve our service to customers," says Leleu. The youngest and most imaginative of the French operators relies on its experience and understanding of the public, its commercial and technical creativity (many of its innovative products have become market standards), and its synergies with TF1 to bring original solutions to customers. The plan is to launch the first GPRS services in early 2002. The EDGE technology is still in the evaluation phase.

The right choice

"To capitalize fully on GPRS technology and leave ourselves the choice of the technology that will follow it," says Leleu, explaining the strategy. "Our competitors no longer have this choice." Four development options remain open: the combination of EDGE, GPRS and digital compression; UMTS, if a new contest for licenses is held with more reasonable conditions; becoming an MVNO (Mobile Virtual Network Operator) by using somebody else's UMTS network;

Evolution of digital compression: technological progress has lowered kbps capacity requirements



or going directly to a fourth-generation network. Bouygues Telecom's decision not to compete for a 3G license has important financial consequences. The €2.3-billion bank loan that was set up is now amply sufficient. The plan to increase shareholders' equity if a UMTS license were acquired (an additional €1.2 billion in 2001 and €1.2 billion in 2002) will not be necessary. Cashflow will become positive as of 2002. "Our employees, customers and shareholders can feel reassured," concludes Martin Bouygues. "We are going to keep on offering our customers a wealth of varied services and original solutions at the most competitive prices. And, to the satisfaction of our shareholders, we can do this without taking risks. This is what will enable us to continue developing Bouygues Telecom, an outstanding company." ■

GSM
Global System
for Mobile

GPRS
General Packet Radio Service

EDGE
Enhanced Data for GSM
Evolution

UMTS
Universal Mobile
Telecommunication System

Net

Find a ticket for **tonight's concert**, make plans for after classes . . .

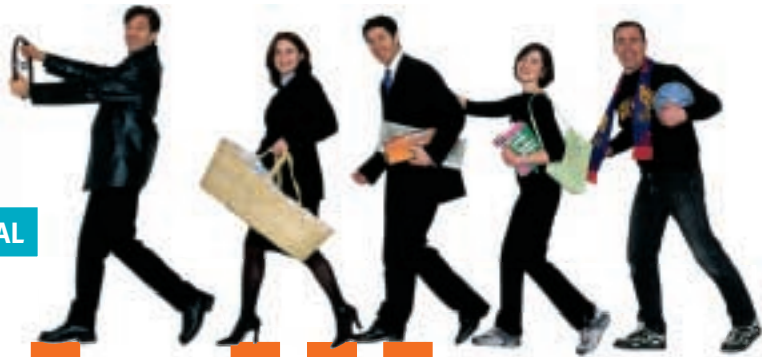
Simplify life: **get stock quotes**, mobile e-mail . . .



6^{sens} services can be personalized at the Web site www.6sens.com.



THE 6^e SENS PORTAL



gain in mobility



What does it do?

It supplies information, when you need it, where you need, and solves lots

of little everyday problems. What's its name? 6^e sens.

And what is it? A Web portal that will make life simpler . . . and wishes come true.

Minute-by-minute updates on the match. I always know who scored.

You don't have to be a "techie" – one of those Web-savvy new-technology addicts – to take advantage of the many services offered at Bouygues Telecom's new portal, 6^e sens. Convenient, practical, reliable and designed for ordinary people with everyday needs, 6^e sens supplies information and services either online at its Web site (6sens.com) or through a WAP-enabled mobile phone. Just three clicks gets you to your goal – another example of the simplicity that has been a Bouygues Telecom trademark from the beginning.

Life with a "6th sense"

Jean-Luc Gonzalez, the portal's director, makes the aim very clear: "We want 6^e sens to set the standard for providing services with computers and mobile phones." And how will it do that? By becoming a constant companion, a helper that's always there to

pick up or send e-mails, supply a friend's phone number, get information and find out the latest on your favorite celebrities. Soon it will also allow you to check your bank balance, manage your agenda, buy train tickets . . . As connection speeds increase with advances in technology, the selection of features and services at the 6^e sens portal will grow larger and more diverse.

From WAP to GPRS

"Let's not skip steps, and let's stop hyping the technology," warns Gonzalez. WAP was a disappointment when the competition launched it with a lot of ballyhoo in the spring of 2000. The early "wappers" expected to switch on their mobile phone and find the Net. What they saw was something resembling the slow, inefficient and decades-old Minitel teletext system. "To offer services better suited to the ▶

“Two hundred services on my mobile”



Program alerts at www.6sens.com: your phone will tell you when the CAC 40 hits 5,500 points.



Major brands are partners: TF1, SNCF, La Tribune, Pariscope, Télépoche . . .

Deal with the unexpected: **a baby-sitter for this evening,** a pharmacy open late, where to take the kids on the weekend . . .



► technology and to customers' needs and avoid being the next one to disappoint them, we waited until November 2000 to launch 6° sens," explains Yves François, head of multimedia services at Bouygues Telecom. The same approach – practical and simple-to-use services with no exaggerated advertising claims – will be taken in the rollout of GPRS, a technology that will provide faster data transmission speeds than the present GSM system. Its installation on the Bouygues Telecom network will be completed in mid-2001.

Instructing and initiating

The first services will be available at 6° sens in the fourth quarter. GPRS will bring a minor revolution, with photos, color, richer graphics, faster navigation, larger screens – in other words, the first steps toward the mobile Internet. “The real challenge will be to help our customers acquire new habits,” says Yves Goblet, general manager and head of strategy and development. Gonzalez says that the keys are “instruction and initiation.” The Web and new technologies are still obscure, unexplored territory for most French people, only 20% of whom have an Internet connection. The 6° sens

portal needs to give them the urge to come back again and again. How? By offering features they check out regularly and that send them off in other directions. For example, the music bulletin at 6 p.m. presents the latest Madonna album, then offers the possibility to buy the CD or concert tickets. “Ideally, customers will come to 6° sens like they watch the evening news at 8 o'clock. It will be a reflex,” says Gonzalez, adding that “it means a change in mentality and behavior.” For Bouygues Telecom, it will mean new revenue streams from the connection time to the portal, advertising, online sales and subscriptions to paid services. Bouygues Telecom expects 10% of its customers to be using the portal at the end of the year and 70% within five years. The mobile Internet is on the way. The techies are going to love it. And so are you and I. ■



Connect to 6° sens services with all WAP phones from Bouygues Telecom.



Getting the feel of the sixth sense

“Wish you could? Now you can.”

“Two hundred services on my mobile.”

“Instant satisfaction.” All these phrases praising the Bouygues Telecom portal make it hard to resist. So grab a WAP mobile phone, and see what it's all about.

Ten subjects come up on the display:

News, Going Out, Transport . . . You click on News and read: “A powerful earthquake has just struck in Mexico,” “Record temperatures for the season in Europe.” Now let's have a look at Going Out.

Films, exhibitions, restaurants, they're all there. Feel like going to see *Almost Famous*. There's a direct link to get the movie listings, read what the critics are saying and reserve tickets. You even find out the restaurant nearest the cinema you've chosen. Now glance at Transport to see where the traffic jams are. On the way, check your horoscope, pick up your e-mail, order flowers for the party on Saturday and buy the DVD of *Buena Vista Social Club*. The advertisements also say “Personalize your services at the Web site www.6sens.com.” You hesitate. You're a convert to mobile phones but a neophyte when it comes to the Internet. Curiosity gets the best of you. You turn on the computer and type in the address. There's the same 6° sens portal, but with more color and details. Choose the services you want to be able to display by just clicking on your phone. Set up the alerts: Mary's birthday, a selection of stock prices. Really interesting. Tomorrow you'll see what's at Money, Games and Forums.



Arrive on time:

avoid the traffic jams,
choose the fastest route . . .



MARKETING AND LOYALTY

Made-t

Flashback. In the mid-1990s, the public was introduced to the mobile telephone. A pioneer in the market, Bouygues Telecom offered a single product: three hours of airtime for 240 francs (36.6 euros). Simple and priced to please, it was designed to satisfy a maximum number of people. Within a few months, Bouygues Telecom was able to make an initial breakdown of its customers into small, average and large consumers.

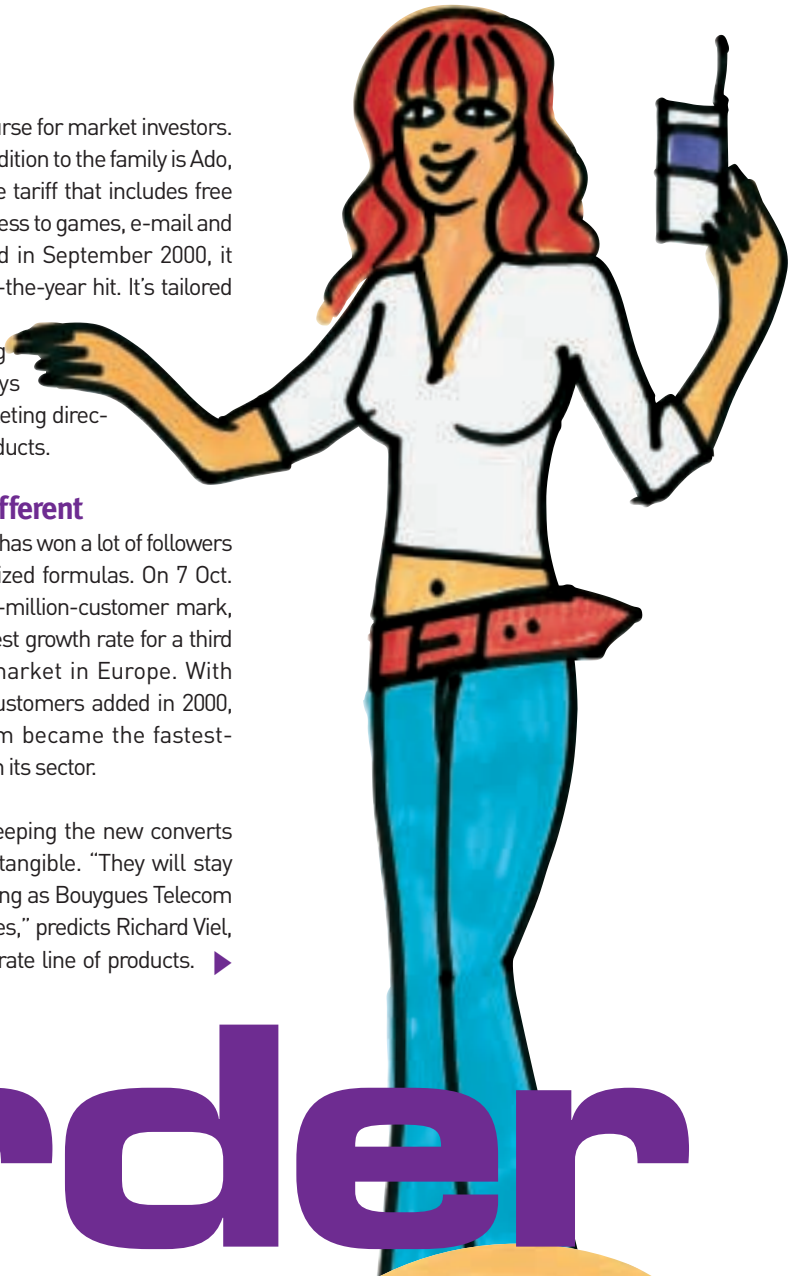
Back to the present. One-half of the people in France have a mobile phone. Bouygues Telecom offers nine bundle tariff options, three no-subscription products and more than 200 services. After six years, it knows who its customers are: students, business people, travelers, moms, lovers, show-offs... The company watched how people used their phone, analyzed their behavior and progressively customized its products as needs were identified. That's how it came up with Nomad, a no-subscription service for occasional users, and the Voyage service for globe-trotters; and with Passion for continually chattering love-birds, Scoop for news

addicts, and La Bourse for market investors. The most recent addition to the family is Ado, a 90-minute bundle tariff that includes free messaging and access to games, e-mail and forums. "Launched in September 2000, it was the big end-of-the-year hit. It's tailored to the phone habits we detected among young people," says Olivier Laury, marketing director for flat-rate products.

Everyone is different

Bouygues Telecom has won a lot of followers with these customized formulas. On 7 Oct. 1998, it hit the one-million-customer mark, giving it the strongest growth rate for a third operator in any market in Europe. With 1.8 million more customers added in 2000, Bouygues Telecom became the fastest-growing company in its sector.

The doctrine for keeping the new converts faithful remains intangible. "They will stay within the fold as long as Bouygues Telecom satisfies their desires," predicts Richard Viel, director of the flat-rate line of products. ▶



o-order mobile

Find THE product. The precise solution to each customer's needs. At Bouygues Telecom, personalization is the key to attracting new customers and winning their loyalty.



Building a durable relationship with each customer.



► “We have to anticipate trends in phone use by offering personalized services,” notes Viel. A young man who develops a passion for football will be delighted with the sports news he gets with the Scoop service, and a large family equipped with several mobiles will have smaller phone bills with the Entre Nous formula.

The task is complex because tastes evolve rapidly. A lot is at stake, however. A cancellation rate of 2% per month means that Bouygues Telecom wouldn't have a single one of its present customers four years from now. And that percentage could increase. As the customer base gets older, more people are tempted to switch operators. A simple desire to replace one's old-model phone whose battery is worn out accounts for 30% of cancellations. “Building loyalty has become one of our major strategic targets,” says CEO Patrick Leleu. It's not surprising, considering that this costs one-fourth as much as recruiting new customers.

Tailored marketing

The key factor in loyalty-building is a thorough knowledge of each customer: their age, the average length and destination of their calls, the approximate number of people they call, the tariff bundle chosen and so on. All this information is useful in defining profiles and then groups of users who could have the same requirements.

This allows Bouygues Telecom to propose a service that should be well received to one of these groups each week. Young people between the ages of 15 and 30, for example, are given the chance to discover a mobile Internet service or to test new ringing tones. If two-hour, bundle-tariff subscribers become more talkative, they are encouraged to move up to a four-hour subscription to avoid the stress of skyrocketing phones bills. “A customer will stay loyal if his mobile phone brings new benefits in his everyday life,” says Leleu.

To reach each customer, Bouygues Telecom has an array of communications tools such as letters, telemessages, e-mails, calls by customer assistants, messages left on the mobile voice mail, information printed on phone bills and a quarterly magazine sent to subscribers' homes. In 2001, nearly 250 million messages will be sent out in these ways.

It's a win-win relationship that is forged. Customers find additional sources of satisfaction, and Bouygues Telecom builds a durable relationship with them. Revenues increase, too: a very affordable service, say one that costs 10 francs (1.52 euros) a month, added to several thousand phone bills gives a substantial boost to revenues. In 2001, the sale of additional services to bundle-tariff subscribers is expected to bring in more than €15 million.

The objective now is to refine the accumulated knowledge. “As we segmented more and more, we came to realize something obvious: each customer is unique!” says Olivier Laury. “So the services should be, too.” If one-to-one proposals, i.e. a personalized proposal for each individual, is still hard to do, personalization of the relationship is now an active policy.

Renewing the pleasure

In this approach, Bouygues Telecom offers customers the possibility to create their own customized service. With the point system for replacing handsets, which was introduced in December 1999, each person can choose a new phone and pay for it with points calculated on the basis of consumption and the amount of time he or she has been a customer.

Many people taking advantage of this offer use it to trade in their old phone for the latest model. In a few months, customers will have the opportunity to try out and buy services over the Internet. Those who fill out a self-evaluation form will receive offers for a selection of services that match their profile. By analyzing their choices, Bouygues Telecom will improve its knowledge of each individual's desires and throw open wide “the doors of m-commerce, a market with enormous potential,” predicts Leleu. ■

The ease of m-commerce

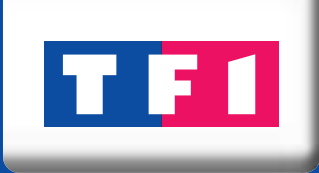
Mobile commerce covers all transactions for products or services made from a pocket-sized terminal, such a mobile telephone. "One mode of distribution unseats another when it offers a simpler and cheaper solution," says Yves Goblet, the head of Strategy and Development at Bouygues Telecom. The infatuation with m-commerce is explained by the success mobile phones have enjoyed since 1996.

"The French have voted overwhelmingly for the freedom mobile phones offer them," notes Goblet.

"They can communicate immediately, whenever and wherever they like. M-commerce has the same potential for explosive development because it belongs to the same universe. Transactions can be performed at a distance, simply, more cheaply, and privately." And for what kind of purchases? "It tends to be used for impulse buying – to get things like a book or a CD, a train ticket or a movie ticket," says Goblet.

The practicality and security of the portal 6sens.com will help the beginner to take the plunge. The first step for the online shopper is to get some money to spend. He identifies himself with the number of his mobile phone (which is on and in the coverage area) and receives an activation code sent directly by the messaging system. The new shopper can then open his electronic purse and use the money to do things like obtain alerts and news bulletins, send messages over the Web and download from it. This electronic purse is simple to use and secure. No banking information is needed: the sums spent are debited directly on the Bouygues Telecom bill.



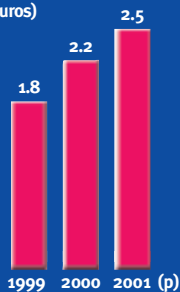


EUROPE'S LEADING TV

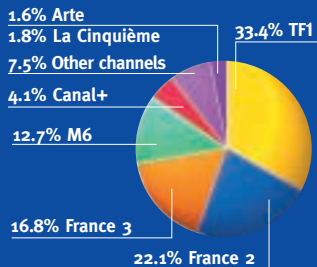
channel

Sales: + 22.5% in 2000

(billion euros)



Leader in audience share



Médiamétrie 2000
Viewers 4 years and older

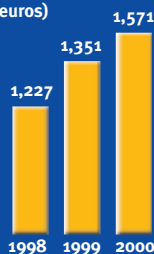
Control of programming budget

(million euros)



Growth in advertising revenues

(million euros)



TF1, a diversified communications group and brand leader, is a major player in the European audiovisual field. The broadcast television channel, which is the company's core business, airs general interest and exclusive programs, as well as major events. This extensive media coverage assures its position as Europe's number 1 channel, with an overall audience share of 33.4% (Médiamétrie: viewers 4 years of age and older) and 35.9% of the advertisers' key target group, women under 50. An increase in its advertising revenues in a market supported by Europe's growing economy, combined with five-year stability in programming costs, has enabled TF1 to finance development with its cash-flow. TF1's growth can be attributed principally to the following factors: its participation in TPS, the digital satellite broadcaster; the expansion and reinforcement of its public offer through the creation of thematic channels, grouped under TF1 Digital; and the development of its Internet portal business.

LANDMARKS

- 29 operational subsidiaries
- Estimated **audience share** for the TF1 Group (including thematic channels): **36.4%** (4 years and older) and **38.4%** (women under 50)
- Complementary offer: **14 channels**
- **220 journalists** (TF1 channel)
- Average audience share of televised news programs:
 - **51%** 1:00 pm
 - **40%** 8:00 pm
- **LCI**: 3.6 million subscribers (55 newscasts per day)
- **TPS**: 1.15 million subscribers (160 channels)
- **Eurosport**: Europe's leading sports channel, received by one out of three Europeans (54 countries, 17 languages)
- **Téléshopping**: leader in France
- Among non-encrypted broadcast channels and since its creation, **TF1 has been the leading investor in French production** with €2.8 billion.
- **tf1.fr**, first on-line media site in France

KEY FACTS

- **Net profit before minority interests: + 58%**
- **Channel's advertising revenues: + 16% (+ 28% in 2 years)**
- Advertising revenues for thematic channels: **+ 97%**
- **First listed in the CAC 40 index** in May 2000
- **91 of the 100 highest TV ratings** in 2000: Fiction: **42** out of 46 - Films: **28** out of 30 - Sports: **11** out of 14 - Entertainment and Magazine: **7** out of 7 - News: **3** out of 3
- **Record audience viewed Euro 2000** (the final match between France and Italy): **21.4 million viewers**
- **Creation of new channels: TF6**, a mini-general interest channel broadcast by TPS, and **TV Breizh**, devoted to Brittany and the sea, and the first regional channel with national distribution
- **100% takeover of Eurosport**
- **TF1 Vidéo**, France's leading publisher/distributor in 2000 with 16 million units sold
- **TF1 and LCI became digital**

Consolidated balance sheet at 31 December

ASSETS (million euros)	2000	1999 Pro forma
Intangible fixed assets	133	119
Goodwill	46	2
Tangible fixed assets	176	163
Long-term investments	16	9
Fixed assets	371	293
Stocks and work in progress	497	467
Trade and other receivables	929	717
Current assets	1 426	1 184
Net cash	345	288
Total assets	2 142	1 765
LIABILITIES (million euros)	2000	1999 Pro forma
Share capital and reserves	435	372
Net profit attributable to the Group	250	158
Minority interests	(1)	—
Group Shareholders' equity	684	530
Provisions for liabilities and charges	207	169
Financial liabilities	10	86
Long-term capital	901	785
Progress payments received on request	12	7
Other liabilities	1 229	973
Current Liabilities	1 241	980
Short-term bank loans and bank credit balance	—	—
Total liabilities	2 142	1 765

Sales 2000

2.2 billion euros

Employees

2,800

Consolidated profit and loss account

Million euros	2000	1999 Pro forma
Sales	2 220	1 813
Other operating revenue	50	42
Operating expenses	(1 847)	(1 563)
Share in profits of incorporated joint ventures	—	—
Operating profit	423	292
Financial products and charges	18	2
Profit before tax and exceptionals of consolidated companies	441	294
Exceptional products and charges	—	4
Profit tax	(155)	(98)
Net profit of consolidated companies	286	200
Share in net income of equity affiliates	(33)	(38)
Goodwill amortization	(2)	(3)
Net profit before minority interests	251	159
Net Profit attributable to the Group	250	158
Attributable to minority interests	1	1



ADDED ATTRACTIONS

Owner of eight channels and investor in six others through the satellite operator TPS, TF1 has been betting on thematic television since 1989. Its aim? Long-term leadership in a fiercely competitive industry.

TF1 strengthened its hand in 2000 by taking a bigger stake in Eurosport and launching TF6 and TV Breizh.





Are new technologies about to edge out television in popularity? Not according to surveys, which show a clear increase in the amount of time that French people spend in front of their set. The average viewer watches television nearly four hours a day, or 13 minutes more than four years ago, spending 69% of this time tuned to general-interest channels and 31% to thematic channels¹. The biggest beneficiary of television's growing appeal is TF1, the industry leader in France, with a total market share of 36.4%. And the reason is that TF1 is no longer one channel but many, meaning everyone can find programming suited to his or her taste.

From analog to digital

Back in the 1990s, channels could be counted on the branches of a TV antenna. And with good reason. The cable-network project launched by the French government in 1982 was bogged down, and cable operators were running up big losses. Eager to diversify its activities and sensing that a demand for new types of program content were emerging, TF1 decided to make the move into thematic television. Even before satellites became a real alternative to terrestrial or cable broadcasting, the channel took a stake in Eurosport, in 1989, and then created LCI, in 1994. Next, it capitalized on new digital compression technology, which allows eight to ten channels to be broadcast in the same amount of bandwidth as just one with analog transmission, to launch

the TPS (Télévision Par Satellite) "bouquet" of channels in December 1996. Its partners in this venture were M6, France Télévision, La Compagnie Luxembourgeoise de Télévision (CLT) and France Telecom². TF1, which produced the content and broadcast the programs, became the distributor.

A stream of new channels

Relying on its experience in content production, TF1 has progressively added more channels. Each has a specific theme with broad appeal such as sports, news, entertainment, documentaries and teleshopping. "The aim is to create value by launching channels in segments where we have expertise," explains Etienne Mougeotte, TF1 vice president and head of broadcasting. On the initiative of TF1, five new channels went on the air in this complementary field of television between 1994 and 2000. First came the documentary channel Odyssée (1994), followed by the teleshopping channel Shopping Avenue (1997) and Eurosport News, which offers nonstop reporting on sports (2000). Two mini-general-interest channels were then added: TV Breizh, which focuses on Brittany, and TF6, a 50-50 joint venture with M6 (both in 2000). Along the way, TF1 inherited a 50% interest in Série-Club, which shows re-runs of popular series, and increased its shareholding in Eurosport, of which it has since become the full owner. TF1 has also expanded its offering as a distributor. Via TPS, it has six channels: ▶

1- Médiamétrie Audicabsat survey (November-December 1999)

2- TPS's present shareholders are TF1 (25%), M6 (25%), Suez Lyonnaise des Eaux (25%) and France Télévision Entreprises (25%, split between France Telecom (66%) and France Télévision (34%)).

100% of Eurosport

TF1 became sole owner of Eurosport International and Eurosport France by acquiring the interests of Canal+ and Havas Images, on 31 January 2001.

Launched in 1989 on European cable and satellite networks by Rupert Murdoch, Eurosport passed under TF1's control in 1991, when the threat of antitrust action prompted the media magnate to sell his stake in the channel. In 1993, Eurosport merged with the pan-European channel TESN (The European Sports Network), owned by Canal+ and the American operator ESPN (European Sports Programming Network). Eurosport France and Eurosport International emerged from this new entity, which was 34%-owned by TF1. ESPN's departure in May 2000 allowed TF1 to increase its stake in Eurosport International to 50.5%, with Canal+ taking the remaining 49.5%. The capital of Eurosport France, meanwhile, was divided among Canal+ (39%), TF1 (36%), and a Vivendi unit, Havas Images (25%).



► Cinefaz, Cinéstar 1 and 2, Cinétoile (movies), Infosport (sports news) and Télétoon (a children's channel).

Restructuring for more impact

"The time had come to pool the legal, financial and commercial resources of the channels to benefit from scale economies," explains Etienne Mougeotte. To accomplish that goal, TF1 Digital was created on 1 May 2000. According to general manager Serge Laroye, its objectives are to play the role of an incubator for current and future projects; to secure the widest possible distribution of the thematic channels; and to provide financial leadership for the business with the aim of generating cashflow and achieving gains in productivity.

A lightweight structure (it has a staff of four), this wholly owned unit of TF1 favors a cross-channel approach to television – one that develops ties with TF1 and between the theme channels as well as unifies their management. It brings together the channels that belong to TF1 like LCI, Odyssée, TF6 and Série-Club as well as TF1's direct and indirect equity holdings, Eurosport, Eurosport News, Shopping Avenue and TV Breizh³. "By having a complete offering, which can be taken as a package or à la carte, we enjoy all the benefits of critical mass when we negotiate with cable and satellite operators," says Laroye. This new structure is helping to broadcast more efficiently and generate revenues amid industry consolidation and fierce competition. Today almost all of TF1 Digital's channels, which relay news and entertainment from the main channel, are carried by TPS and CanalSatellite as well as by the major French cable networks. That represents a potential audience of nearly 10 million people.

The best theme: financial health

While many thematic channels are shaky financially, TF1's offshoots can boast of vigorous health. Revenues in 2000 were € 313 million, accounting for 14% of TF1's total. Strong revenue growth of 33% over 1999 was driven by a general increase in subscribers (12 million households, up 19% from 1999), development

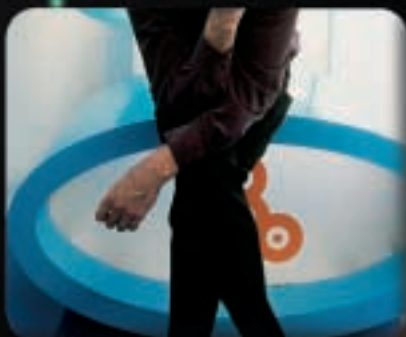
3- TF1 has a 22% interest in TV Breizh. The other shareholders are François Pinault's Artémis (27%), Crédit Agricole Bretagne TV (15%), Rupert Murdoch's News International PLC (13%), Silvio Berlusconi's Mediaset (13%), Jean-Claude Darmon (6%) and Panavi (4%).



With 3.7 million household subscribers, LCI remains the top news channel and No. 3 in the overall rankings.



In the four years since it started broadcasting, TPS has signed up over 1 million subscribers. It has a lineup of 160 channels today, including four movie channels, 30 theme channels and 78 international offerings as well as 47 radio stations and 40 interactive services.



Eurosport, the leading sports channel in Europe, had 92 million household subscribers in 2000. It is broadcast in 17 languages and watched in 54 countries.

One of the pioneers of thematic television stakes in fourteen channels and a strong cable and satellite networks.



◀ The latest addition to TF1's theme-channel roster is TF6, which offers films, variety and talk shows plus music. The programming is designed to appeal primarily to a youthful, feminine audience.



▲ TV Breizh is a mini-general-interest channel created for the 4 million Bretons living in Brittany, the 2 million who have left there, and everyone else with a passion for this region of France. Ur skinwel evit ar vro ("Brittany, Celts and the Sea") are the inspirations for its programming.

of pay-television offerings, new channels (TV Breizh, TF6 and Eurosport News) and TF1's larger stake in Eurosport. If TPS and its channels are counted in, the theme channels contributed nearly 30% of TF1's revenues. This reflects the fact that four years after its founding, TPS has attracted over one million subscribers, or nearly one new subscriber out of two in the satellite digital TV market. In 2000, it posted sales of €389 million. Subscription revenues paid by the cable and satellite operators provide half of the theme channels' income. The other half comes from advertising sales. Claude Cohen, CEO of TF1 Publicité, points out with satisfaction that these sales surged by 97.4% in 2000. TF1's theme channels, which are well positioned in all the expanding niche markets, are coming along as powerful new vehicles for growth. The most recent Audicabsat media survey⁴ revealed that these channels, like those offered by TPS, are performing strongly. Eurosport remains Europe's favorite sports channel, with 92 million household subscribers, 6 million more than in 1999. LCI, which is received by 3.7 million households, is still the leading news channel and stands at number three in the overall rankings. Odysée is

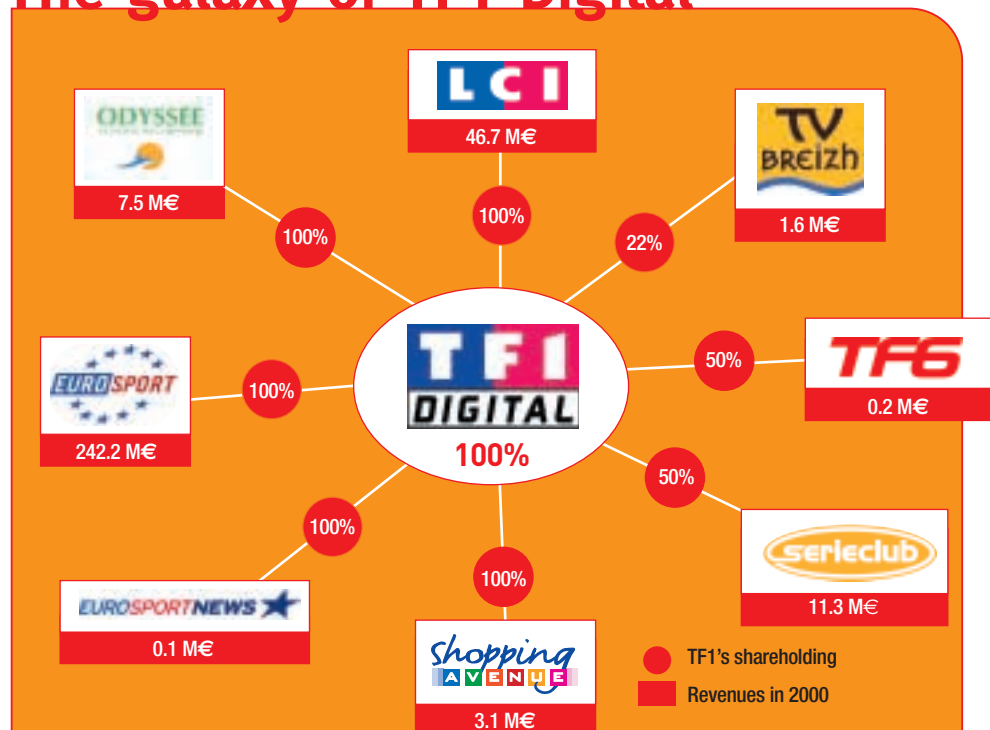
watched by 1.7 million viewers, and Shopping Avenue reaches 1 million households. TPS's movie channels are tops in cinema on cable and satellite television, with 2.3% of the audience four years of age or older. Télétoon, the second-ranking kids' channel in the entire market (1.6 million household subscribers), continues to be the cable and satellite channel that children in subscriber families watch the most and are most loyal to.

Thousands of channels in the future?

TF1 is the French leader in both general-interest and thematic television, but that doesn't mean it plans to keep rolling out more and more specialized channels. According to Etienne Mougeotte, the goal is to be involved in targeted projects. Some of these are already far along, like the business channel, tentatively called LCIFi, which is to begin broadcasting in December 2001. And later on, why shouldn't TF1 have its own children's channel? And maybe a venture in the realm of adventure? ■

4- Médiamétrie Audicabsat survey (November-December 1999).

The galaxy of TF1 Digital



on, TF1 has
g presence on



And now, it' MIL

Millions of francs, millions of viewers . . . the French are hooked on the TF1 game show, and audience ratings are skyrocketing. The reason couldn't be simpler – there's four million francs (609,796 euros) in the jackpot, and everyone has a chance to win it.

In France, the TV program "Who Wants to Be a Millionaire" is . . .

- ◆ **A** a new television series
- ◆ **B** a popular game show
- ◆ **C** a fiasco
- ◆ **D** a new technology

On stage, bluish light, soft music. You answer B, a popular game show. Easy! You just won 1,000 francs (152 euros).

Who wants to be a millionaire? TF1 asked the question, and the answer came back fast. Audience ratings soared and applications to be a contestant poured in. When the program first went on the air, in July 2000, the response was immediate. And massive. In the early-evening time slot (7-8 p.m.), an average of 6 million viewers tune in. In prime time (8:50-10 p.m.), the number jumps to 7.6 million. When the peaks of 8.6 million are recorded, it means one out of every seven French people is watching. Spontaneous testimony to the program's success, the public has turned its trademark question, "C'est votre dernier mot?" (Is that your last answer?) into an everyday expression. "Even though we knew how popular 'Who Wants to Be a Millionaire' was in other countries, the response has exceeded our expectations," says a satisfied Guillaume de Vergès, general manager of TF1 Broadcasting. Now aired in some 40 countries, the game show from Britain has taken the whole world by storm in just two years.

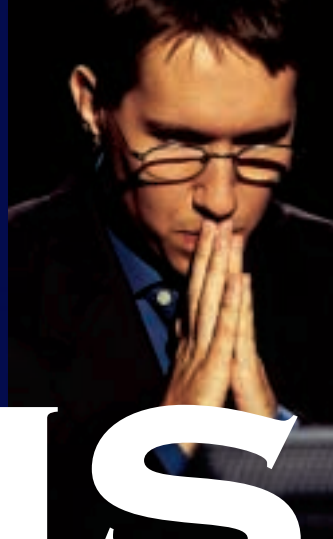
To play "Who Wants to Be a Millionaire" it's best to be . . .

- ◆ **A** erudite
- ◆ **B** unmarried
- ◆ **C** a pro at TV game shows
- ◆ **D** an average person

The lights have dimmed. Take a deep breath. Don't rush. You can think about your answer as long as you like. You'll say . . . D. Jean-Pierre Foucault smiles. Right? Wrong? You're right again. You've reached 10,000 francs (1,524 euros), so you won't leave with less.

To play, there's no need to be an ace at "Jeopardy," where expert knowledge is often necessary. On "Who Wants to Be a Millionaire," the questions are drawn from popular culture and a wide variety of subjects. The key to the show's immense popularity is combining questions that anyone might answer with an enormous amount of prize money. The game also operates on a simple and universally understood mechanism. "It's a double-or-nothing quiz," explains de Vergès. "The concept appeals to all kinds of people, no matter how old they are or what they do." The program's rare ability to attract a very broad audience is a boon for TF1, since it allows the channel to reach audience segments like managers, professionals and children that are usually not very interested in game shows. During the early rounds the younger kids can shine in front of the family. Then it's the parents' turn to test their knowledge. They play along, answering question after question, and, as the excitement mounts, begin to get the feeling that they could go all the way. The game's enticing simplicity has generated a record number of requests to be a contestant. The desire to move to the other side of the screen is even stronger because it's easy to identify with the players and imagine being a winner. In 2000, TF1 received 14 million phone calls from people wanting a chance to be a millionaire. The 0.56-euro charge on each of these calls is in fact the source of the prize money.

s time for LIONS



A game with mass appeal: television viewers of all ages can play along with the contestants.

This game makes you think of . . .

◆A a drama

◆C a science-fiction film

◆B a musical comedy

◆D an auction

It's hot. Music envelops the stage. Your hands are tense. You use a lifeline and ask the audience. A vast majority say A, so you do, too. Yes, it's your last answer. 350,000 francs (53,357 euros)!

The program is built along the lines of a drama, with music reminiscent of "X-Files," shifting spotlights, and a futuristic set that grows darker as the stakes climb higher. It all adds up to tension, emotion and intensity . . . quite different from the circus-like atmosphere on other TV game shows.

Confronting the challenge alone, the contestant is the hero of this drama. "This game is flawless," marvels Franck Marty, the program's producer. "The viewer can tune in any time and get caught up in the suspense." Like acrobats, contestants advance step by precarious step, weighing their answers out loud (one of the rules of the game), and reach the top only by getting totally in the game. It's a hard climb, and it keeps people in the audience on the edge of their seats. ▶



The rules laid down by the game's creators leave TF1 free to choose . . .

◆ **A** the color of the host's jacket

◆ **C** the day and time of the program

◆ **B** the decor for the set

◆ **D** the music

Your heart's thumping. You're going for 1 million francs (152,450 euros). A camera zooms in on the tense face of your mother, who's sitting in the front row. She's the one you've chosen to accompany you. The members of the audience hold their breath. You answer C. That's right!

The creators of "Who Wants to Be a Millionaire" have written a kind of rule book for the show, which specifies the position of the cameras, the music, the color of the chairs and the clothes worn by the host. Decisions about the scheduling, the amount of prize money and who will host the show are left up to TF1. "These elements had to be used intelligently to turn a successful program, which we were sure to have, into a big hit," says Guillaume de Vergès. The first decision was not to schedule it regularly. "When a program is on only occasionally, it creates a need in viewers," says Etienne Mougeotte, vice president of TF1. So, the show was first aired, with great success, in July 2000, and then not again until October and November, when it enjoyed even greater popularity. Next broadcast in March 2001, the program took on the episodic quality of a saga. The next decision was to schedule it twice the same evening, before and after the news on Saturdays. No one else with rights to the program had tried this, but the strategy proved to be a winner. The channel attracted 2.5 million more viewers in the earlier time segment and 1 million more in the later one, than it had in the same period the previous year. For added excitement, the game is set up in a way that encourages contestants to gamble part of their winnings to try to double them – to go from 2 million to 4 million francs (304,900 to 609,796 euros), for example. They usually hesitate, but most take the risk. Their supportive but impartial companion in their quest for riches is Jean-Pierre Foucault, chosen for his reassuring manner, popularity and experience.

Questions anyone might answer and really big prize money.

What was the total amount won by contestants in 2000?

◆ **A** €1.5 million

◆ **C** €4.5 million

◆ **B** €3 million

◆ **D** €6 million

You can hardly stand the pressure. Music from a thriller. Four million francs (609,796 euros). Enough for a house by the sea, a new car, a trip around the world. You use another lifeline and call your grandmother, a big fan of "The Price Is Right." She would say €3 million, but she's not absolutely sure. "That's a hard one!" An unbearable few seconds of music before the verdict. Jean-Pierre Foucault says it's time to break for a commercial. And time to catch your breath? You just want to know whether you've won!

Winners walked away with €4.5 million in 2000, or an average of about 22,870 euros per contestant, but the show is a big moneymaker for the channel, too, thanks to the novel method its creators have devised to finance it. TF1 doesn't ante up a penny for the prize money. It comes from the charges on calls (0.56 euro a minute) and Minitel teletext connections (0.34 euro a minute) of people who want to be contestants. If there aren't enough candidates, insurance covers the difference. On the other hand, if more money is collected than paid out, TF1 gives the balance to a charitable organization (38,112 euros went to the Fondation de France in 2000). Money from sponsors and advertising aired before, during and after the show is direct income for the channel. "The game is such a success that we've upped our rates by more than 50%," says Jean-Bernard Ichac, general manager of TF1 Publicité.

Well, the answer was C, not B. You came close, though, and now you've been bitten by the bug. You want to sign up to be a real contestant, and tomorrow that's just what you're going to do. ■

“I was born to do this program!”

Jean-Pierre Foucault:

You've hosted game shows on radio and television before, but here the public is discovering you in a new role . . .

Generally TV show hosts are criticized for talking too much, but here I do the opposite. By just looking at the contestants and saying nothing, I allow them to make up their own mind. I'm supposed to remind them how the game works – things like “remember, you still have two lifelines” and “take your time” – without influencing them.

Aren't you ever tempted to help them?

My role is to encourage contestants to take chances so that the show's exciting. But I really would like everyone to win! Sometimes I can hardly control myself. For example, I remember the high school girl who couldn't make the connection between the Great Wall and China.

How did you get this coveted job?

On New Year's Eve in 1999, an English friend told me that everything comes to a stop in London

when “Who Wants to Be a Millionaire” is on. My daughter lives in the United States, and she sent me a cassette of the American version. I watched, glued to the screen, totally captivated, and thought: I was born to do this show. A few weeks later the channel made its decision. My age – I'm 53 – is reassuring to the contestants. I'm well known, and my relations with TF1 have been excellent since I was hired in 1987. I've been a host on the channel longer than anyone else has. All that worked in my favor.

On the French program, you use the now-famous expression “C'est votre dernier mot?”

Where does it come from?

The host in England says “last answer,” but the equivalent in French, “dernière réponse,” seemed a little heavy, so we settled on “C'est votre dernier mot?” – “Is that your last word?” Now you hear the expression everywhere. We could have made it a registered trademark!

What do you like about this game?

It's a whole new approach to TV game shows – no clock ticking, easy questions, really big prize money, staged like a thriller . . . and I get to be Santa Claus!

It's an extraordinary game. Anyone can win 4 million francs (€609,796) in a quarter of an hour.

WHO WANTS TO BE A MILLIONAIRE?

Contestants try to answer 15 questions, which are worth 1,000 to 4 million francs (€152 to €609,796). They have three “lifelines”: they can ask for the audience's opinion, call a friend and have two incorrect answers eliminated. By answering the fifth question correctly, they are sure to win at least 10,000 francs (€1,524). Getting the tenth one right guarantees that they won't go home with less than 350,000 francs (€53,357), even if they miss a subsequent question.



Allian production

In April 2000, TF1 took a 49% stake in Telema, an independent production company with a list of hit movies that include *Life Is a Long Quiet River*, *La Cité de la Peur*, *Family Resemblances* and more recently, *The Taste of Others* (winner of four Césars) and *Intimacy* (the Golden Bear at Berlin). Charles Gassot, president and driving force of Telema, talks about the first year of life together.

You've been advising TF1's management on the development of its film business for a year now. Why?

Charles Gassot: Patrick Le Lay wants to build a large film production business at TF1 – one that will be able to work around the world and develop an international catalog of motion pictures. It's now or never! The situation has changed in the last few months. In Germany, for example, Bertelsmann has declared open season on film catalogs. We've got to produce our own international films. I've been given an exciting job that will help this business to be a distinctive and proactive player in a fast-moving market.

Given all the competition, how will you convince the best directors to work with you?

Frankness and confidence. It takes a lot of money to work project by project, starting from zero each time. We'd rather

develop ongoing relations with certain directors. That's been my policy at Telema, and as a result, I've had the chance to work with big names like Patrice Chéreau and Etienne Chatiliez, who get a new offer every week.

There's competition in Europe, but also from the Americans? Does that frighten you?

American studios often invest stupendous sums of money in colossal failures. Of the 600 films that come out each year in the United States, maybe 30 cover their costs.

President of Telema since 1972, Charles Gassot also produced Jean-Paul Goude's parade for the bicentennial of the French Revolution and the opening ceremony put on by Philippe Decoufflé at the Winter Olympics in Albertville.



ce in

Jean-Pierre Bacri and Agnès Jaoui were co-winners of the 2001 César for best original screenplay or adaptation, and Gérard Lanvin was named best supporting actor – two of the four Césars awarded to this feature film produced by Telema.



Filed in English, the most recent movie of Patrice Chéreau tells the quiet love story of a man and a woman that begins with a chance encounter. The actress Kerry Fox received the Silver Bear at the Berlin Film Festival for her portrayal of Claire. Besides the Golden Bear, *Intimacy* won the Blue Angel award for best European film.

In France, 150 feature films are produced annually, with eight to ten making a profit, so the success rate is about the same. We have to have a feel for the right subject and then know how to treat it, how to approach it from the right angle. Next, we have to know how to promote it. That's what we've been doing at Telema for years.

What do you mean by "promote"?

I believe in giving a film marketing support. From the moment the script is being developed, my staff and I are thinking about the public relations that will go along with it. The poster designers are working at the same time as the screenwriters and casting directors. For the 3-D film *La femme piège*, which will be directed by Enki Bilal, we even made a one-minute trailer before the actual shooting had begun. Because of my background in advertising, I realized the importance of public relations and marketing very early on.

When did you work in advertising?

I learned my business by producing advertising films. A very educational experience! Shooting against the clock, often in impossible places, in unexpected situations . . . each film is a special case. You have to sell a car, a package of cookies, a new image of Air France . . . Altogether, I produced 3,000 advertising films in 25 years. That's 3,000 special cases.

Advertising also allowed me to discover several feature-film directors that I've worked with, like Claude Miller and Pascal Thomas. I produced their first films*. Etienne Chatiliez was a copywriter at an ad agency when I met him. Telema produced his first three films: *Life Is a Long Quiet River*, *Tatie Danielle* and *Happiness Is the Field*. We're getting the fourth one ready now. It's called *Tanguy*, à

* *Deadly Run* (Claude Miller, 1983) and *Les Maris, Les Femmes, Les Amants* (Pascal Thomas, 1988).

28 Ans Il Habite Toujours chez Ses Parents. It's scheduled for release in November, and we're all expecting big things from it!

What's your secret for producing successful films?

First I put myself in the place of the moviegoer. There isn't really a recipe, just a few rules to follow. I'm convinced that a good film starts with a good script, one that has been worked and reworked, if possible by a team. In France, an average of 2.2% of a film's budget goes for script development, compared with 6% in the United States. At Telema, we probably spend between 7% and 8% on this.

And you must never hesitate to drop a project if it doesn't look viable, even if you've already worked on it a year. I develop a lot of first films, but go ahead and make very few of them. Maybe that's the secret. ▶



Released in March 1996, *Beaumarchais the Scoundrel* recounts 10 years in the life of Pierre-Augustin Caron de Beaumarchais, man of letters, publisher, musician, financier and magistrate, who lived from 1732 and 1799. The screenplay is based on an unpublished work by Sacha Guitry.



Family Resemblances, based on the play of the same name, was Charles Gassot's first collaborative effort with the screenwriting and acting duo, Agnès Jaoui and Jean-Pierre Bacri. The Ménard family gets together every Friday at the Père Tranquille, a café run by the eldest son, Henri . . . until something happens that upsets their routine.

“A good film starts with a good script”

► Are there criteria for judging whether a project is viable?

It's hard to say. It's a matter of personal conviction, almost an act of faith. You make a personal commitment to a film because you believe in it very strongly and you're convinced it's a good project – sometimes when not everyone agrees with you. When I produced Agnès Jaoui's *The Taste of Others*, the people around me were more than a little skeptical.

This film has now chalked up over 3.8 million entries in France, four Césars and an Oscar nomination for Best Foreign Language Film. It was the same with *Intimacy*, Patrice Chéreau's last film, which won three awards at the Berlin Film Festival, including the Golden Bear.

You're bringing TF1 your skills as a producer. What are you getting in exchange?

I'm getting very motivated partners at TF1. They listen to my needs and ideas, and they have immense technical know-how. I'm learning a tremendous amount.

Their approach to marketing and merchandising is different, so I have to make allowance for that.

Telema will continue with its small-scale approach to the business, while TF1 will supply the industrial-scale know-how and capabilities to produce more ambitious films. Partnerships have become indispensable, especially if you're targeting the global market. With the support of TF1 International, Telema is preparing four international co-productions in English. They include a film about Napoleon, *Betsy and the Emperor*, directed by Patrice Chéreau and starring Al Pacino, and an adaptation of Edgar Pierre Jacobs' comic strip, *La Marque Jaune*, directed by James Huth.

Will some of Telema's projects not be co-produced by TF1?

Of course. I'll go to TF1 first, but I'll be free to work with other partners. Patrick Le Lay understands that an exclusive producer is a producer with a limited life expectancy.

Does working with TF1 change the way you look at things? Do you try to adapt your projects to the needs of the TV channel?

That's not what TF1 is asking me to do. I produce motion pictures, primarily for theatrical release. I don't produce crowd-pleasers. I produce films the public may like. The public is demanding. When a film is both enjoyable and a discovery, the success is total. But it's all very fragile. You have to know how to manage that fragility.

So producing movies is a risky business.

Always looking at what you're doing with a critical eye, sensing the trends – sometimes it's a lot like the fashion business. I have Patrick Le Lay's trust in carrying out the projects I choose. I'll keep the initiative in all my projects and work with the channel if it wants any of them. It's up to me to set high goals and standards, to be demanding and to produce only the films I believe in. We're having exciting conversations now with Patrick Le Lay about screenplays. They have big ambitions at TF1! It's up to me not to disappoint them. ■

Film production at TF1

A major player in the French film industry with an international reputation, TF1 produces feature films to broadcast on its terrestrial (TF1) and satellite (TPS) TV channels, to publish in video and to include in its growing film catalog.

TELEMA AND FILM PAR FILM

These independent production companies initiate and finance projects, bringing in additional partners as needed.

Film par Film

50%

49%

Telema



TPS

The satellite television company TPS pre-purchases some French films during their development so they can be broadcast exclusively on its two movie channels that show recent films (Cinestar 1 and 2).

25%

TF1 VIDÉO

A subsidiary of TF1 Enterprises, TF1 Vidéo also provides financing and buys the rights to films it helps to produce.

100%

TF1 FILMS PRODUCTION

The channel uses this company to meet its legal obligation to spend 3% of advertising revenues to finance French-language feature films. According to 1990 legislation, it can be involved only as a minority partner and have no influence on the artistic aspects of the project. Most of the films produced by TF1 Films Production are intended for broadcast on the TF1 channel.

100%

100%

TF1 INTERNATIONAL

This distribution company markets the broadcasting rights for audio-visual products, most of which are produced or co-produced by TF1, and for the nearly 500 French, European and American films in its catalog. To keep this catalog growing, it finances film projects, with a say in the casting, screenplay and choice of financial partners. TF1 International works closely with Film par Film and Telema.

The revenue breakdown for TF1's film production business in 2000 was the following:
 €47.7m for TF1 Films Production, €21.3m for the film business of Telema and €15.1m for Film par Film. TF1 International spent €25m to finance feature films, TPS Cinema €16.8m and TF1 Vidéo €15.2m.

: production
 : purchasing of rights

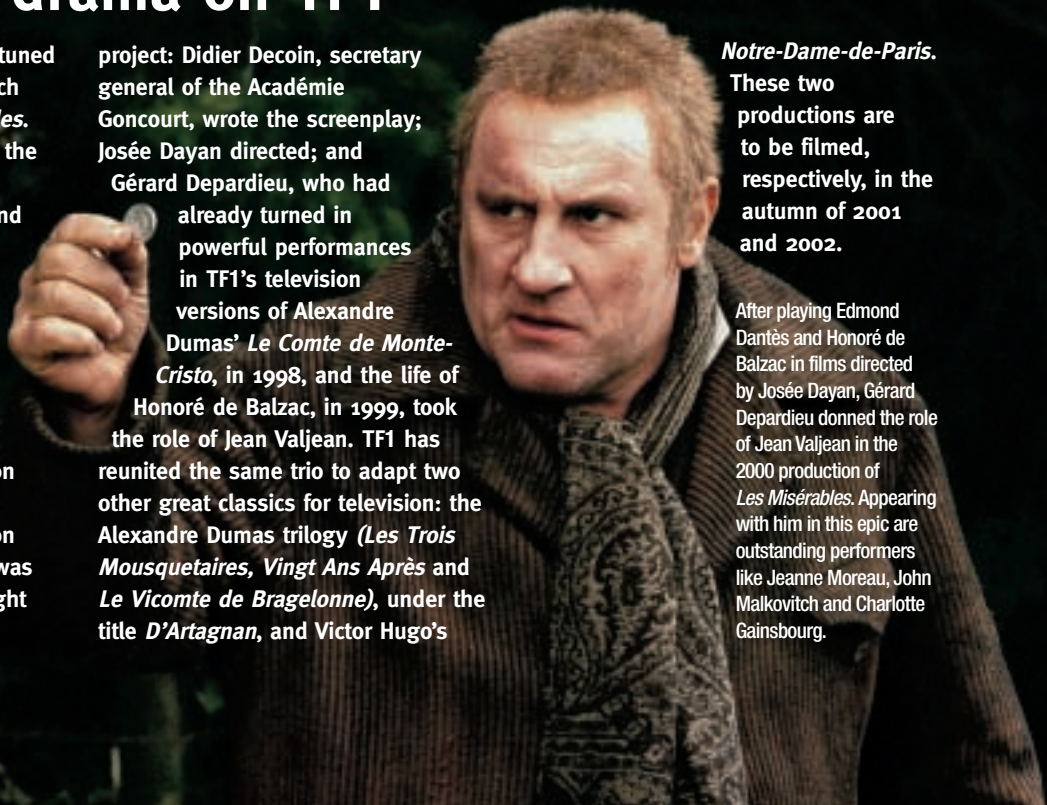
Outstanding drama on TF1

An average of 10 million viewers tuned in during September 2000 to watch the four episodes of *Les Misérables*. This success was due not only to the popularity of Victor Hugo's masterpiece, published in 1862 and already brought to the screen 15 times, but also to the excellent adaptation and considerable resources that went into its making. It took 80 days of shooting, in the Yvelines, Normandy and Prague, to film this European co-production with a big-movie budget of €25 million. A two-episode version for the English-language market was shot directly in English. TF1 brought together a first-rate team for the

project: Didier Decoin, secretary general of the Académie Goncourt, wrote the screenplay; Josée Dayan directed; and Gérard Depardieu, who had already turned in powerful performances in TF1's television versions of Alexandre Dumas' *Le Comte de Monte-Cristo*, in 1998, and the life of Honoré de Balzac, in 1999, took the role of Jean Valjean. TF1 has reunited the same trio to adapt two other great classics for television: the Alexandre Dumas trilogy (*Les Trois Mousquetaires*, *Vingt Ans Après* and *Le Vicomte de Bragelonne*), under the title *D'Artagnan*, and Victor Hugo's

Notre-Dame-de-Paris. These two productions are to be filmed, respectively, in the autumn of 2001 and 2002.

After playing Edmond Dantès and Honoré de Balzac in films directed by Josée Dayan, Gérard Depardieu donated the role of Jean Valjean in the 2000 production of *Les Misérables*. Appearing with him in this epic are outstanding performers like Jeanne Moreau, John Malkovitch and Charlotte Gainsbourg.

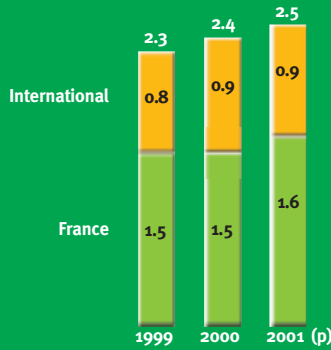




A PUBLIC UTILITY services OPERATOR

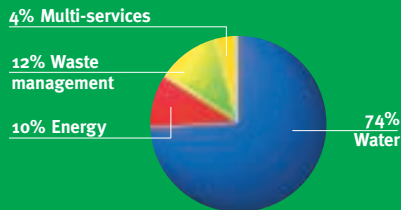
Stable growth

Sales in billion euros



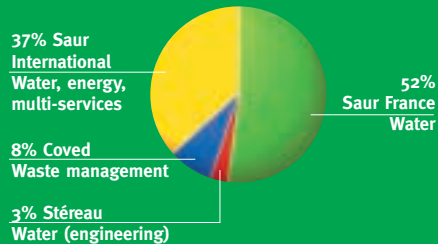
Water: three-fourths of Saur's sales

Breakdown of consolidated sales in 2000



Saur France: more than 50% of sales

Contribution to sales in 2000



Present in 21 countries, Saur is one of the largest managers of public utilities in the world. Seventy-five percent of its business concerns water-cycle activities. The company also provides a range of diversified services, which include energy and waste management. Saur's experience has enabled it to extend its offer to the management of municipal services and maintenance of community facilities. Following a period of rapid expansion (sales increased six fold in 15 years), the year 2000 saw more stable (+ 5%). The objective of the joint venture formed by Saur and Cise, now called Saur France, is to optimize all its water-related know-how. Improved competitiveness will be further strengthened by the introduction of new computer tools. As for Saur International, it is recentering on its core businesses. As of 3 January 2001 Bouygues became Saur's sole shareholder following its buyout of EDF's 14% holding in the company.

FOUR BUSINESS ACTIVITIES

- **Water:** producing and distributing drinking water; sewage collection and purification of wastewater waters; design and construction of water treatment facilities
- **Energy:** production, transportation and distribution of electricity and gas in overseas markets
- **Waste management:** the collection, cleansing and treatment of household and industrial wastes
- **Multi-services:** maintenance of community installations

50 MILLION people served throughout the world

LEADER IN AFRICA

for the management of water and energy services

STRONG EUROPEAN PRESENCE

in all water activities: Spain, Great Britain, Italy, Poland, etc.

KEY FACTS

- **Takeover of Crea**, number 2 in water management in Italy
- **Contract to renovate the Lyon Pierre-Bénite water sewage plant**, the biggest in France
- **Contract to manage Mali's** water and electricity networks
- **Bouygues becomes 100% shareholder** of Saur on 3 January 2001
- **New products:**
 - **Carboflux®:** a process that eliminates pesticides and micro pollutants from drinking water
 - **Colittrak®:** selective, automated bacteriological control
 - **Lanodor®:** treatment of olfactory pollutants
 - **Ultrafiltration:** a water filtering system which uses micro porous membranes
 - **Thermolyse:** thermal waste treatment using moderate temperatures

Consolidated balance sheet at 31 December

ASSETS (million euros)	2000	1999 Pro forma
Intangible fixed assets	501	500
Goodwill	151	123
Tangible fixed assets	1 071	1 065
Long-term investments	244	227
Fixed assets	1 967	1 915
Stocks and work in progress	58	58
Trade and other receivables	1 478	1 339
Current assets	1 536	1 397
Net cash	105	83
Total assets	3 608	3 395
LIABILITIES (million euros)	2000	1999 Pro forma
Share capital and reserves	556	528
Net profit attributable to the Group	32	43
Minority interests	35	24
Group Shareholders' equity	623	595
Provisions for liabilities and charges	413	411
Financial liabilities	284	257
Long-term capital	1 320	1 263
Progress payments received on request	33	32
Other liabilities	2 190	2 072
Current Liabilities	2 223	2 104
Short-term bank loans and bank credit balance	65	28
Total liabilities	3 608	3 395

Sales 2000

2.4 billion euros

Employees

23,500

Consolidated profit and loss account

(million euros)	2000	1999 Pro forma
Sales	2 399	2 281
Other operating revenue	132	119
Operating expenses	(2 415)	(2 293)
Share in profits of incorporated joint ventures	—	—
Operating profit	116	107
Financial products and charges	(41)	(40)
Profit before tax and exceptionals of consolidated companies	75	67
Exceptional products and charges	(11)	—
Profit tax	(25)	(13)
Net profit of consolidated companies	39	54
Share in net income of equity affiliates	5	2
Goodwill amortization	(12)	(9)
Net profit before minority interests	32	47
Net Profit attributable to the Group	32	43
Attributable to minority interests	—	4

Data flowing over networks form intricate patterns that translate into transparency for Saur's customers. Shown here are the routes taken by some e-mails on the Net.



INFORMATION SYSTEMS

Fluid data

As a utilities operator and technical expert, Saur wants to develop long-lasting, trust-based relationships with all its municipal and residential clients. Connecting its Saphir, J@de and Mire software programs to the intranet provides a framework on which to build them.

More than 7,000 communities have turned over the management of their water services to Saur. That adds up to 5,000 separate contracts and 3 million consumers. Thus it's important for Saur to have an efficient, customer-oriented information system – one that contains all the details of its management contracts and that can make any modifications to them that new regulations or contractual agreements require. Saur has set high standards and put in place data systems to help meet them at a cost that is both low and covered by the resulting productivity gains. The aim of Saur's data systems is to make internal processing chains as efficient as possible. Business procedures

are segmented by tasks, which contributes to providing superior quality service.

Increased productivity

Any new piece of data entering the system generates an instruction to perform these tasks. The Saphir software program, which will be up and running in the Northern France/Paris region/Normandy sector in 2001, tracks all interaction with customers, from requests to responses. This tool's design entailed completely revamping customer service and teaching special skills to employees who deal directly with customers. The J@de software is used for the management of inventories, logistics, pur-

chases and vehicles. Mire supplies operational support for production, electro-mechanical equipment, analyses and measurement equipment. Iris, the intranet at Saur, is the transmission belt that enables all these tools to communicate and function with one another.

A database in this system is continually updated in real time with all the data from Saur's operations. As a result, personnel who serve customers directly have all the information they need to provide prompt and efficient service. This information includes not only the individual files (opening and closing of branchings, detailed records of management operations since the account

was opened, maintenance work, contacts with Saur departments and so on), but also the specific contractual arrangements with each retail and municipal client.

Automatic data input reduces the number of separate data entry operations and thus the chances for errors. The ultimate objective is to have a complete database in which information is entered only once and is available thereafter to everyone.

For example, nowadays operators no longer need to input the data from the Saur laboratories because this is done automatically. The information from the Geremi 32 software that manages technical alerts at the treatment plants is transmitted directly from system to system, so it never has to be re-entered either. J@de, a new-generation management tool that has several modules (finance, purchasing, inventory management, equipment management, international trading), translates the data recorded in these various modules into bookkeeping entries. This automation allows real-time communication of reliable information,

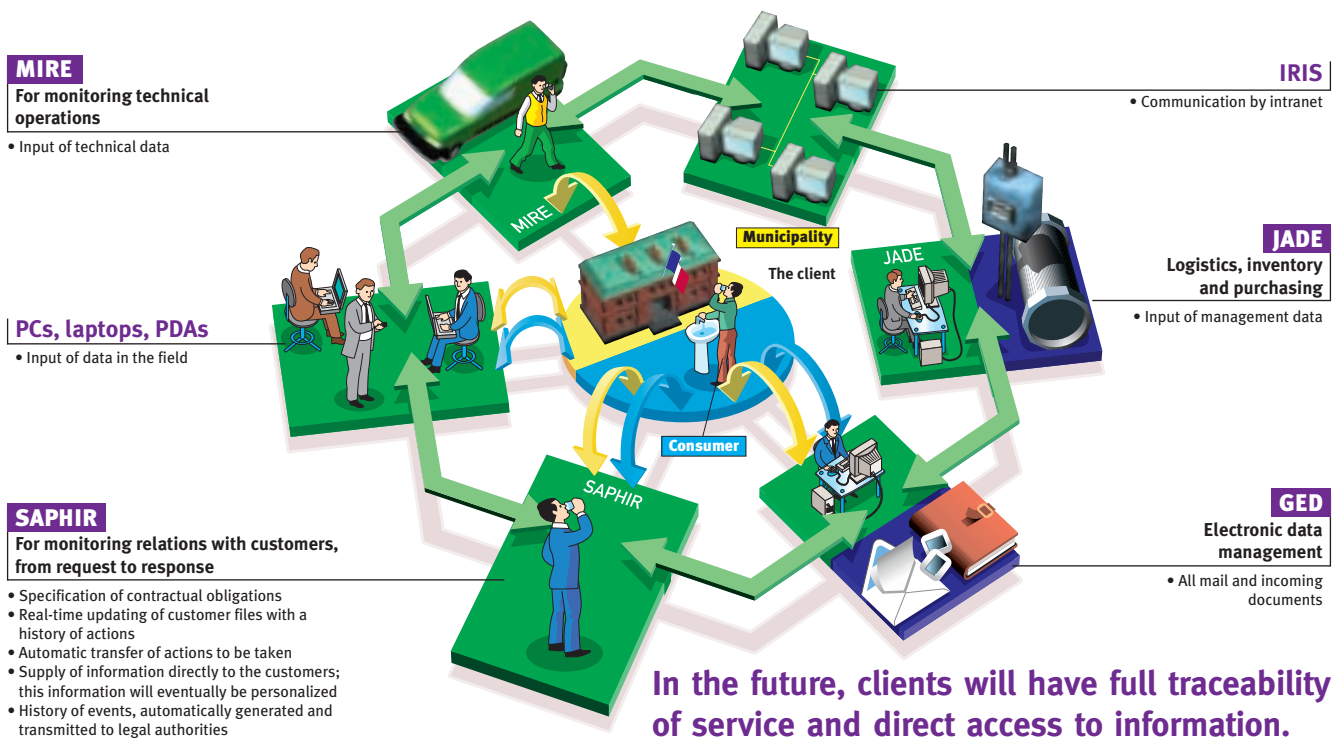
making it easier to keep track of supplier invoices, which make up more than 60% of data entries in accounting. In addition, by recording cash flows continuously, it will be possible to get the analytical accounts back to the operational managers faster at the end of each month.

Information à la carte

Besides improving productivity and responsiveness, the information system Saur has constructed increases transparency. The system's flexibility allows many additional features and services. Customers with an Internet connection have direct access to information of interest to them such as the quality of the resource and restrictions on water treatment or the configuration of the local network. Eventually, in addition to being immediately available, the information will be personalized. Invoices on request, modification of the means of payment, suspension of the contract, personal notification of any maintenance work on the network that will interrupt service, making and changing

appointments – these and many other possibilities will be offered for the customer's convenience. Communities will be able to obtain the objective data they need to better understand what contracts mean for daily operations and plan improvements accordingly. The information system is also a tool to help Saur and its clients think about longer-term strategies and determine their technical and financial aspects with complete transparency. In the future, J@de could be used to create a marketplace. The intranet Iris will soon connect specialists working in the company all over the world. It will be possible to get the parts list for a pump at a pumping station with a PC connected by GPRS to the Mire database. There is indeed a long list of possibilities. But while these tools support Saur's performance, they are a means for achieving progress, not an objective in themselves. "The information system is there to put a process, a concept translated into algorithms, into action," notes Saur CEO Yves Gabriel. "Using this process increases productivity." ■

and smooth service





ULTRAFILTRATION AND CARBOFLUX®

Efficient production, controlled costs, and compliance with ever-stricter laws – those are the elements of an equation that researchers in Saur's Technical Department are continually working to balance. One solution they have found is the innovative process for producing drinking water described here.

Offensive in troub

The year: 2002. The place: the drinking water plant at Hennebont, on a small river in Brittany called Le Blavet. The river water is murky, green and loaded with particles in suspension. Saur's mission: to make this water clean and clear before pumping it into our homes. Here's the plan of battle.

Minuscule enemies

The enemies are numerous. The largest are algae and organic waste, both visible to the naked eye. Next come bacteria and viruses, which are measured in microns (thousandths of a millimeter). Tinier still, measuring just thousandths of a micron, are metal ions and pesticides. A family of molecules with a life span of about ten years, agricultural pesticides contaminate surface water and, by infiltrating the soil intact, ground water as well. At the start of its offensive, Saur relies on classic techniques. In the first tank, ferric chloride is added to the water to render the metal ions insoluble by neutralizing their positive and negative electrical charges. The chemical

compound is mixed in and the water is left to stand. The metals, which are now in suspension, settle to the floor of the tank, taking some of the bacteria and organic waste with them. Algae and large bits of debris are also pulled to the bottom by gravity. Filtration with sand completes this initial stage of cleaning.

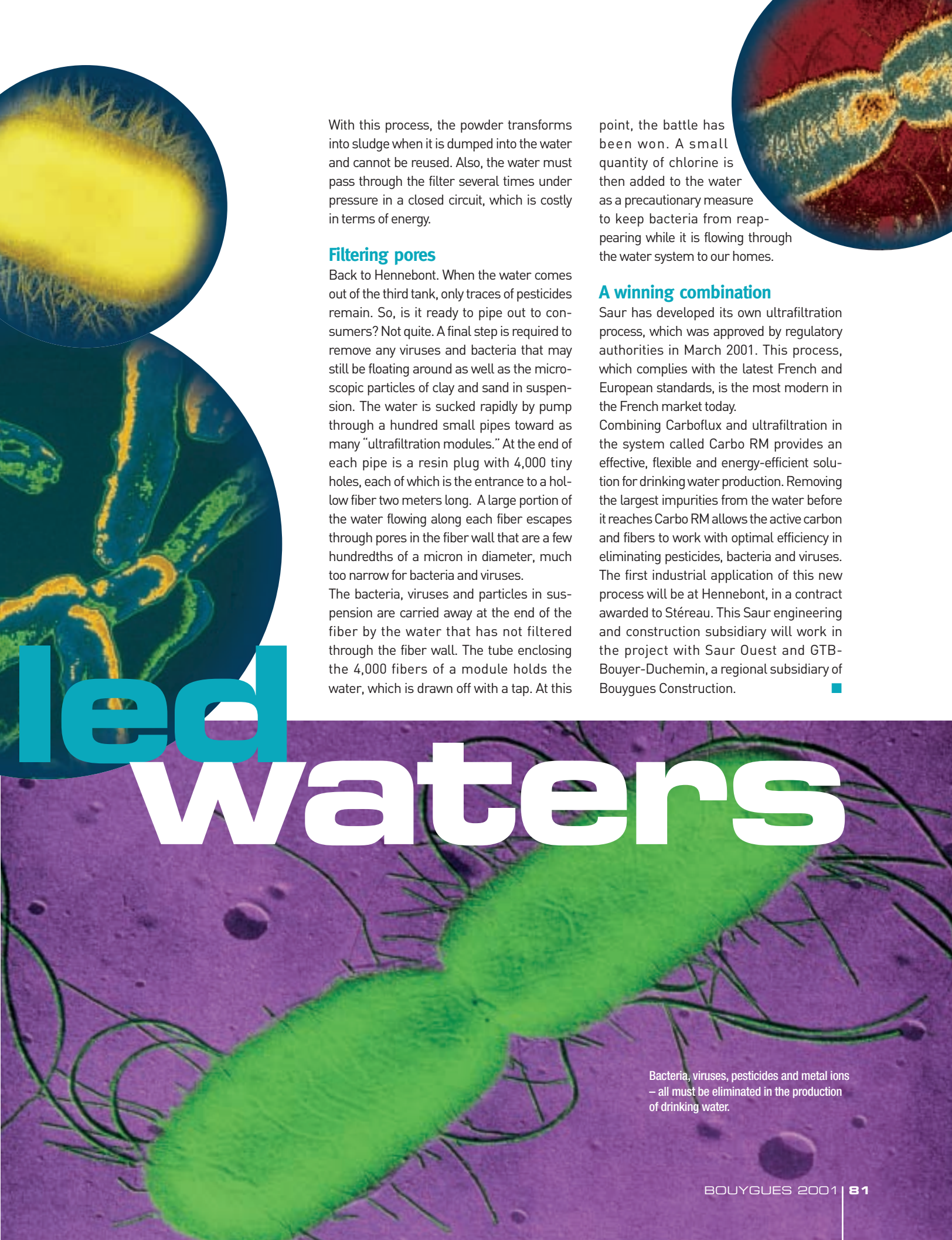
Black powder versus pesticides and bacteria

Now the water is nearly transparent, but it's still not drinkable. Hard-to-eliminate pesticides and bacteria are the next target. In a second tank, Saur throws its main weapon into the battle. A black powder called active carbon is poured directly into the water. These grains with a diameter of about 10 microns have a rough, porous surface that captures both bacteria, which

take refuge in the tiny cavities, and pesticides, which are drawn into the pores by the phenomenon of adsorption.

In the last tank, a polymer is added to the water-carbon mixture that causes the grains to form clusters and sink to the bottom. The carbon is then sucked out with a vacuum system and returned as it is to the second tank. The same powder can in fact be reused several times, with only one-thirtieth of the total quantity being replaced each day. And if the pollution level goes up? The dosage is simply increased. Saur patented this process in 1997 under the name Carboflux®.

In contrast to the Saur process, classic techniques use rigid filters containing carbon grains. These are five times as expensive as powder, which is used only as a backup to the filters when pollution rises sharply.



Lead waters

With this process, the powder transforms into sludge when it is dumped into the water and cannot be reused. Also, the water must pass through the filter several times under pressure in a closed circuit, which is costly in terms of energy.

Filtering pores

Back to Hennebont. When the water comes out of the third tank, only traces of pesticides remain. So, is it ready to pipe out to consumers? Not quite. A final step is required to remove any viruses and bacteria that may still be floating around as well as the microscopic particles of clay and sand in suspension. The water is sucked rapidly by pump through a hundred small pipes toward as many "ultrafiltration modules." At the end of each pipe is a resin plug with 4,000 tiny holes, each of which is the entrance to a hollow fiber two meters long. A large portion of the water flowing along each fiber escapes through pores in the fiber wall that are a few hundredths of a micron in diameter, much too narrow for bacteria and viruses.

The bacteria, viruses and particles in suspension are carried away at the end of the fiber by the water that has not filtered through the fiber wall. The tube enclosing the 4,000 fibers of a module holds the water, which is drawn off with a tap. At this

point, the battle has been won. A small quantity of chlorine is then added to the water as a precautionary measure to keep bacteria from reappearing while it is flowing through the water system to our homes.

A winning combination

Saur has developed its own ultrafiltration process, which was approved by regulatory authorities in March 2001. This process, which complies with the latest French and European standards, is the most modern in the French market today.

Combining Carboflux and ultrafiltration in the system called Carbo RM provides an effective, flexible and energy-efficient solution for drinking water production. Removing the largest impurities from the water before it reaches Carbo RM allows the active carbon and fibers to work with optimal efficiency in eliminating pesticides, bacteria and viruses. The first industrial application of this new process will be at Hennebont, in a contract awarded to Stéreau. This Saur engineering and construction subsidiary will work in the project with Saur Ouest and GTB-Bouyer-Duchemin, a regional subsidiary of Bouygues Construction. ■

Bacteria, viruses, pesticides and metal ions – all must be eliminated in the production of drinking water.



WATER AND ELECTRICITY IN MALI

LUXURY of **light**

By acquiring a controlling interest in Energie du Mali, Saur International strengthens its leadership in water services in Africa and asserts its expertise in electric utility management. The first challenge is to rapidly restore these two vital services in the main communities.



Technicians at the main thermal power plant, at Darsalam, finish up the servicing of three generators.

Mali is a landlocked country in West Africa. Desert in the north and drought-ridden in the south, it is twice the size of France, but with only 10 million inhabitants. For Saur, however, Mali is much more than a place on a map.

In December 2000, the government turned over the management of Energie du Mali (EDM) to Saur for a period of 20 years. This utility is the supplier of water and electricity in the urban centers. Hydrosahel, its local subsidiary, has done the work on the water system since 1982 and knows the situation in the field. As for Saur, it has operations in ten African countries, including Senegal and Ivory Coast, which border on Mali.

Electricity accounts for 73% of EDM's total revenues of €91 million. It is also one of the leading businesses of Saur International, which supplies electricity to 18 million cus-

tomers around the world. Manager since 1990 of the Compagnie Ivoirienne d'Electricité (CIE), which has nearly doubled the number of its subscribers in 10 years, Saur has earned a respected place in the sector in Africa. In Mali, it had already been involved in the management of EDM, between 1996 and 1998, but the close supervision by a government-appointed board of directors meant that it had no real power. When this arrangement failed to produce results, the government decided to privatize the utility, though the commercial structures created over that two-year period were left in place.

Powered by electricity

When the Mali government put the utility up for sale in 2000, Saur naturally decided to bid, choosing to do so with a partner, Industrial Promotion Service (IPS), which has worked

in Africa for over 30 years. "It's a complex contract," says Jean-François Talbot, CEO of Saur International. "EDM not only manages electricity and water services, but also has responsibility for investment."

A study of the project showed that EDM's overall profitability is largely determined by the cost of the electricity. Aware of this fact and eager to have plenty of cheap electricity, Mali, Senegal and Mauritania have built a large dam at Manantali, in western Mali. When it goes into operation in August 2001, it will supply two-thirds of Mali's electricity needs at a cost of 30 CFA francs per kW/h, or one-third of the retail price. "At the present time, more than 50% of the electricity is produced by thermal plants," says Francis Leborgne, general manager of EDM. "But fuel oil is expensive. Since its price soared in 2000, EDM has been generating power at a

loss.” Higher rates have covered part of the shortfall, and the State has made up the rest. “Since the beginning, the government has demonstrated its desire to see the privatization succeed, notably by respecting its deadlines,” says Talbot. The project was worked out with the support of the World Bank, where Prime Minister Ibrahim Keita long worked. The involvement of the State, which is a 40% shareholder, is crucial to success. At the request of Saur and IPS, the government agreed to increase EDM’s capital by €18.3m, with each shareholder contributing in proportion to its interest in the company. “We want EDM to emerge from the crisis situation it finds itself in,” affirms Mr. Coulibaly, Minister of Mines, Energy and Water. He goes on to point out that “2002 will be a year of general elections and the year the African Nations Cup is to be held in Mali.” Electricity is essential to the country’s economic development, since this is dependent to a large extent on textile manufacturers in the south, which are big consumers of power. “Eight percent of the population has access to electricity, the same proportion that has access to water,” says Mr. Sidibé, secretary general of the ministry. The waters of the Niger and Senegal rivers, though abundant, are still unfit for consumption. “We want to increase these proportions to over 20%,” Sidibé adds. “To take up this challenge, EDM had to be privatized.”

Seasonal peaks

The public utility that Francis Leborgne and his team discovered on 20 December 2000 has to be put back in working order. “Since EDM was in a bind financially, it didn’t do any maintenance on its facilities for two years,” explains general manager Daouda Kane. Several aid organizations that were aware of the health risks helped to keep the water system running, but the electrical installations suffered. In 2000, the power grid that supplies electricity to the capital, Bamako, and nine nearby towns, was unable to meet demand during the peak season, from April to June, when temperatures climb above 40°C. Air conditioners in hotels and modern buildings are turned up to their maximum at this period, and power outages become frequent, often lasting for several days. The surge in fuel oil prices has made the situation even worse. ▶



◀ The four new generators installed at the Balingué power plant, at Bamako, will be able to meet peak power demands. These occur from April to June, the three hottest months of the dry season, when air conditioners are running constantly.



▶ The Djikoroni pumping station supplies Bamako with water from the Niger River. A second station will be built within two years, 15 km from the capital.



The word from the “high on high”

A stone’s throw from the Niger River stands a low building surrounded by vegetable gardens. This is EDM’s training center. The scent of burning peat wafts in the hot air. Below the humming fans, desks and a blackboard await the representatives of the 30 regional agencies, who have been called together by the “high on high,” the new management of EDM. Dressed in boubous embroidered with gold thread and brightly colored tunics, they take their places facing the platform where the new managers, their ties loosened, are seated. Presiding over the meeting is the nearly two-meter-tall general manager, Daouda Kane. He begins to speak with a steady voice. The subject is the creation of the business channels that will connect the central management directly with operations in the field. Expressions are attentive, concerned. Hands go up. A discussion follows and the regional managers write down the explanations they are given in their notebooks. Not even the squealing of the children playing down by the river distracts them. Now they know their new mission: to become regional coordinators. Commercial director Jean Mignard describes what the notion of listening and responding to customers means to him. The sun goes down, and the evening air seems relatively cool. “I’m leaving here motivated. The directives are clear,” says Abdoul Arougaya, who liked the friendly atmosphere when everyone had a drink together at the end. He comes from Sikasso, the cotton capital, where all production is dependent on electricity. He plans to apply the new methods at his center. And he’ll be back to talk about them at the next meeting.



In 2001, EDM plans to make 6,000 new connections to the power network at Bamako and 6,000 in the rest of the country as well as replace faulty meters. In rural areas, the commercial department is considering the use of meters that operate with prepaid cards.



A 20-year concession

When 60% of Energie du Mali (EDM) was privatized on 15 December 2001, the utility was supposed to be supplying electricity to 85,000 customers and water to 68,000, but it was no longer able to get the job done. Returning EDM to profitability in one year is the challenge that has been taken up by Saur International, a 39% shareholder with a 20-year concession contract, and by its partner and 21% shareholder, Industrial Promotion Service (IPS), a unit of the Agha Khan development fund. The Mali government, which is the third owner, is asking that EDM invest €610 million over 20 years.

► “In order for customers and employees to go along with the privatization, we had to improve the situation rapidly,” says Leborgne. “In January, we declared that there wouldn’t be any blackouts during the hottest period.” That left three months to attend to the most urgent matters, with limited financial resources. “To leave the Mali government the time to get together its share, the capital increase and the advance weren’t to be paid until the end of April,” notes Jacques Brien, administration and finance manager. EDM took on debt to buy six stand-by generators, four for the power grid and two for Moti, the country’s second-largest city, where two generators had broken down at the same time – coincidentally, the day Leborgne was visiting there. The maintenance teams have been doing everything possible to get the installations back in good running order, even cannibalizing parts from equipment that couldn’t be repaired.

At the other end of the chain, the management has put a stop to the traffic in illegal – and dangerously patched together – connections that had increased over the preceding two years to keep up with rising demand. A batch of new electric meters imported from France, a promotional offer of 15,000 connections to the drinking water network at Bamako: the new EDM has begun looking after its customers. The only source of revenue at present, this service is important. Overdue payments are followed up with a threat to shut off the meter – which is carried out, if necessary.

Explanations and actions

“We gave ourselves a year to make EDM a private company in its structures and its spirit,” says Leborgne. The new watchwords are customer service and profitability. Slipshod accounting and cash management have been replaced by Saur’s methods. Aware that this revolution is necessary, the Mali staff members are making a whole-hearted effort to see that it succeeds.

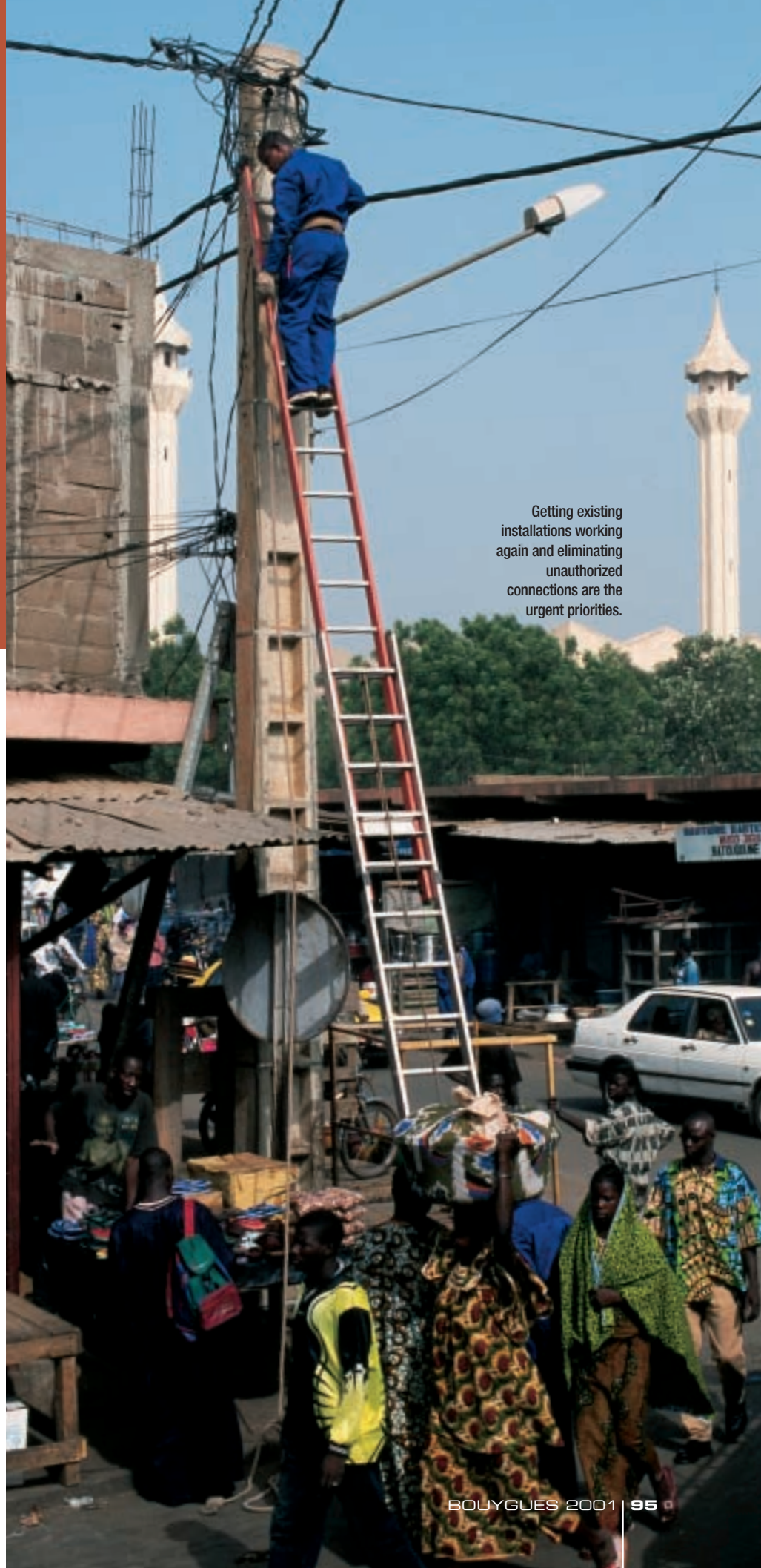
In a country where speaking is so important, the company had always said very little – to such a point that exasperated customers had vented their anger by attacking its installations. Mathieu Koné, communications adviser to the former president of the Republic and for



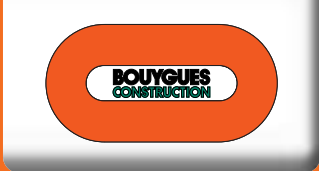
EDM has 1,500 employees. The training program now in preparation will help to develop internal promotion.



a time director of the national radio and television, took over public relations. His knack for speaking with decision-makers and the media has worked wonders. He has traveled with Leborgne all over the interior of the country, meeting customers and employees. "We have to keep on explaining our policy," insists Cheikna Sow, director of human resources. Things are changing rapidly, and some employees are worried. Will this test the foremen have to take be used to eliminate the least qualified? It's important to state clearly that the objective is to set up a training program. To confront the challenges in the years ahead, every employee has to be an active participant in the company project. The investment plan negotiated by the three shareholders calls for an extension of the power grid, which may be connected to the one in Ivory Coast, and the electrification of 44 towns in addition to the 27 with power today. The share of the population with access to the drinking water system is expected to triple within 20 years. For the most part, this access will continue to be through communal taps operated as concessions, located in common areas surrounded by a few houses, or through water outlets turned over to private operators. These places where people come to socialize, which are a typical feature of the Mali landscape, symbolize what EDM is now becoming – a company that supports development while providing local service. ■



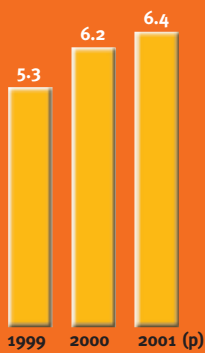
Getting existing installations working again and eliminating unauthorized connections are the urgent priorities.



A FULL-SERVICE construction COMPANY

Sales: + 17.5% in 2000

(billion euros)



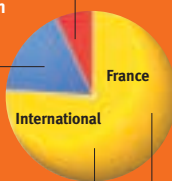
Complementary activities

Sales breakdown in 2000

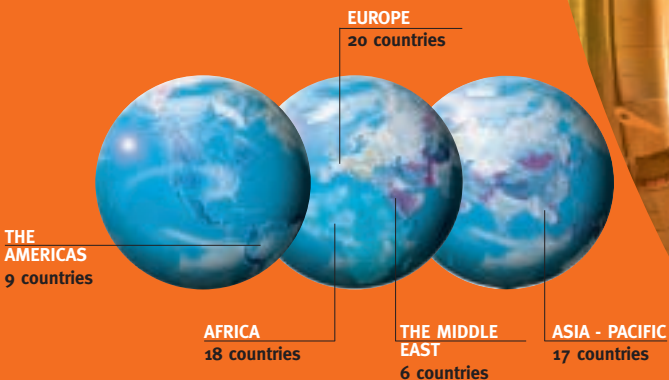
7% Electricity/
Network Installation

17% Oil and
Gas Contracting

76% Building
and Civil Works



More than 50% of the company's
activities are international



Bouygues Construction, a global leader in general contracting, offers customers value-added services at every stage of their projects. Present on five continents and in 70 countries, it is a major player in its four complementary business activities – building, civil works, oil and gas contracting, and electricity/network installations.

The company forecasts 9 billion euros in sales over the next five years. Its strategic objectives are to develop its international business (over 50% of sales in 2000, 70% targeted for the middle term) and to further strengthen its value-added offer. The average amount of its ten largest contracts has more than doubled in the last ten years, reflecting the capacity of Bouygues Construction teams to successfully manage major projects and control risk.

AN IMPRESSIVE VALUE-ADDED OFFER

- Bouygues Construction intervenes at **all phases of a project**:
 - **organization** of the initial phase: conducting site searches and piloting different administrative steps for investors etc.
 - **financial engineering**: organizing the financing for highly complex projects
 - **conception-construction**: designing, developing the technical solutions, optimizing costs and building within a pre-determined client budget
 - **turnkey projects**: delivery of a completely finished project, including industrial equipment and installations, office systems, interior decoration, etc.
 - **project management**: Bouygues Construction offers its clients general contract management and the coordination of contributing parties and service providers
 - **use and maintenance**: for the franchisee, Bouygues Construction maintains and operates the finished project for a fixed duration

COMPLEMENTARY ENTITIES

- Bouygues Bâtiment: building in the Paris region and abroad
- Entreprises France Europe: a network of subsidiaries in France, the European Union and Switzerland
- Bouygues Travaux Publics (civil works): major bridge and tunnel projects; specialized subsidiaries: Intrafor (foundations), VSL (post-tensioning), and DTP Terrassement (earthworks)
- Bouygues Offshore: oil and gas contracting
- ETDE: electricity and network installations

KEY FACTS

- **Main projects** in 2000:
 - **International**: the Groene Hart tunnel (Holland), the Rostock tunnel with concession (Germany), West Rail tunnels (Hong Kong), the medical university complex (Hong Kong), the N4 toll road concession (South Africa - Mozambique), three hotels in Cuba, the breakwater in the Condamine Harbor (Monaco)
 - **France**: Cap Gemini University Ernst & Young, three penitentiaries

Consolidated balance sheet at 31 December

ASSETS (million euros)	2000	1999 Pro forma
Intangible fixed assets	363	367
Goodwill	33	60
Tangible fixed assets	485	403
Long-term investments	139	128
Fixed assets	1 020	958
Stocks and work in progress	77	104
Trade and other receivables	2 767	2 158
Current assets	2 844	2 262
Net cash	937	1 155
Total assets	4 801	4 375
LIABILITIES (million euros)	2000	1999 Pro forma
Share capital and reserves	60	19
Net profit attributable to the Group	42	47
Minority interests	97	92
Shareholders' equity	199	158
Provisions for liabilities and charges	690	739
Financial liabilities	209	100
Long-term capital	1 098	997
Progress payments received on request	322	245
Other liabilities	3 280	2 645
Current Liabilities	3 602	2 890
Short-term bank loans and bank credit balance	101	488
Total liabilities	4 801	4 375

Sales 2000

6.2 billion euros

Employees

37,000

Consolidated profit and loss account

(million euros)	2000	1999 Pro forma
Sales	6 222	5 341
Other operating revenue	189	118
Operating expenses	(6 315)	(5 351)
Share in profits of incorporated joint ventures	21	12
Operating profit	117	120
Financial products and charges	13	10
Profit before tax and exceptionals of consolidated companies	130	130
Exceptional products and charges	(17)	1
Profit tax	(54)	(50)
Net profit of consolidated companies	59	81
Share in net income of equity affiliates	5	3
Goodwill amortization	(4)	(9)
Net profit before minority interests	60	75
Net Profit attributable to the Group	42	47
Attributable to minority interests	18	28



A MAJOR GLOBAL PLAYER IN oil and gas contracting

Bouygues Offshore, a subsidiary in which Bouygues Construction has a 51% holding, has expertise in all aspects of oil and gas contracting: onshore-offshore oil and gas production and processing, maritime and river works, liquefied gas, maintenance, refining and chemical projects. With the Sofresid and Doris Engineering mergers, Bouygues Offshore can now offer services at every stage of the value chain: design, precision engineering and equipment procurement as well as construction, installation and maintenance of production units. This integrated offer strategy enables the company to respond to the current market environment - consolidation of major companies in the oil and gas industry, the increasing scale of operations and clients' desire to have a single partner in turnkey projects. Bouygues Offshore is a leader in deep offshore. Its competitive edge in this area recently improved with the launch of the *Saibos FDS*[®] field development ship in October 2000.

LANDMARKS

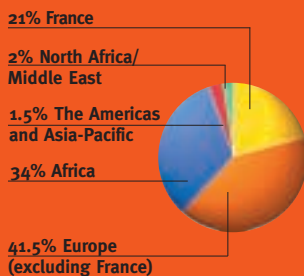
- Employees include over **29 different nationalities**
- The average size of the largest contracts has grown from \$130 million to \$230 million in the past four years
- Sales: + 8%
- Orders: + 11%

KEY FACTS

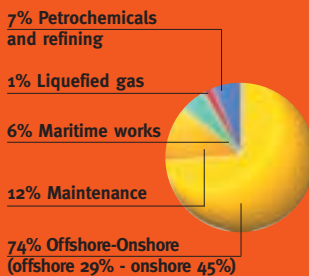
Main projects under way or completed and delivered in 2000:

- **Beyrouth Sea Front**, Lebanon
- **LNG Import Terminal**, Bilbao, Spain
- **Blue Stream gas pipeline**, Russia
- **Terminal and pipeline** for the Caspian Pipeline Consortium, Russia
- **Development of oil fields**, Girassol (-1,350 m), Angola

79% of business activity is international



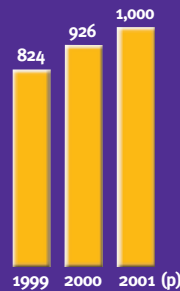
All oil and gas contracting activities



MULTISPECIALIST IN

Sales: + 12% in 2000

(million euros)



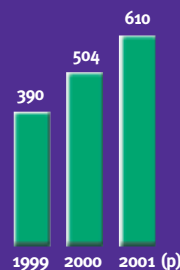
France: good volumes

(million euros)



Housing reserved

Offices reserved



Europe: sales doubled in 2000

Representatives in Spain, Portugal, Germany and Poland





REFERENCES

Seen

All over the world, Bouygues Construction brings a bold and creative spirit to the challenging projects of its clients. Here are some examples in France, the Far East and Turkmenistan.



 France

 Turkmenistan

 Hong Kong

 Malaysia

 Singapore

**Cœur Défense,
at the gates of Paris.**

Size, deadlines, technologies, innovation . . . an exceptional project in many respects: 30 months of work, 185,000 m², 20,000 plans, a peak work force of 2,300 people.



around the world



France

Cœur Défense: the largest office construction project in Europe, delivered ready-to-use.

Bouygues Bâtiment was the general contractor in this prestigious project, worth about €350 million. Bouygues Immobilier was consultant to the contracting authority, Tanagra, in which Bouygues has a 10% stake. Bouygues Construction's multiple competencies enabled it to do the project from A to Z: structural works, trades, office automation, furnishings, decoration and all the rest. Delivery: spring 2001.

The reinforced concrete base is 1.80 m high so that it can support the two 39-story towers and 10 levels of infrastructures.



The ventilated façade proposed by Bouygues Construction insulates the building more efficiently, thus providing substantial energy savings.

Asia

Well-established operations in expanding but very competitive markets

The handover of Hong Kong to China in 1997 prompted the construction of infrastructures to connect Hong Kong's central island of Kowloon to the Chinese mainland. Despite the economic crisis in the region in 1998, Bouygues Construction has maintained a solid and profitable base at Hong Kong, owing to the technical capabilities of its subsidiaries Dragages HK (building and civil works), BYME (engineering), VSL (post-tensioning) and Intrafor (special foundations) as well as a policy of local hiring and partnerships with clients. Revenues of almost €610 million in 2000 were the highest ever recorded in Asia, with two-thirds being earned at Hong Kong. This year, projects in Asia will contribute 10% of Bouygues Construction's total revenues and 18% of its international revenues.



Singapore



◀ Ladyhill:

a luxury residence

Dragages Singapore built this residential complex. Interior gardens, an average surface area per unit of 220 m², granite, marble and precious woods . . . the promoter has priced these properties at almost €13,000 per m², making it Singapore's most expensive housing development ever.



▲ The Fullerton: two major projects in one

Delivered in December 2000, this project (worth €96 million) involved transforming an old building into a luxury hotel and designing and constructing a new office building.

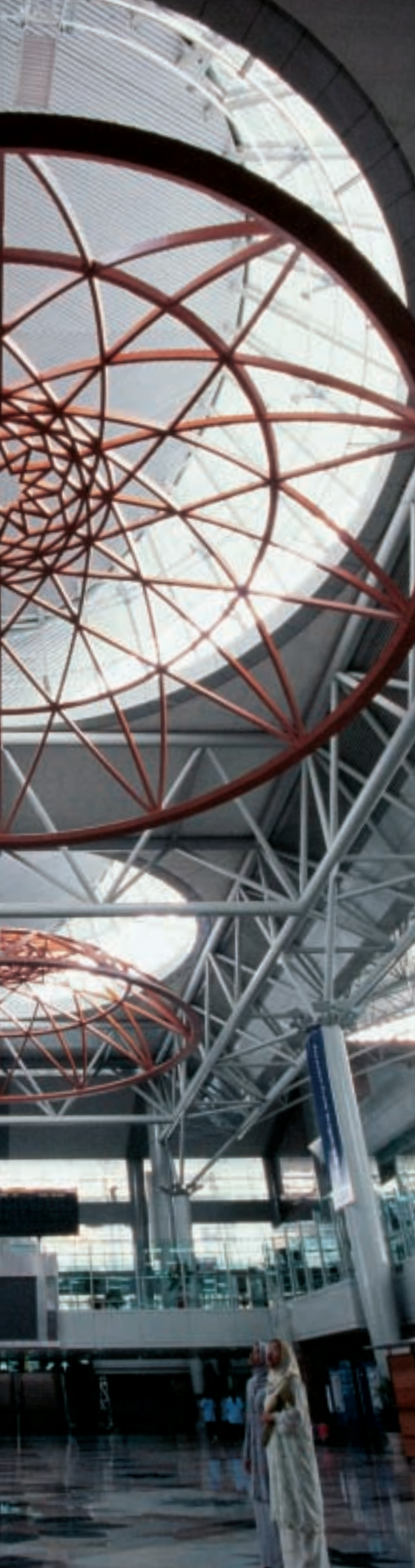


Malaysia

The new Kuala Lumpur Central Station

This 200,000-m² design-build project, valued at €260 million, is constructed on a 500-m-wide cover slab that forms an esplanade 1.5 km long. Delivery in 2001.





Hong Kong

Aldrich Bay “Les Saisons”: up-market apartments

To be delivered in September 2001, this project, valued at almost €112 million, consists of four buildings of 42 to 48 floors, containing a total of 864 high-priced apartments. The demand for up-market properties is growing.



Ha Kwai Chung and Tsing Tsuen tunnels

To build these two tunnels in the DB320 project, Bouygues Construction is employing the traditional method of blasting and a pressurized-slurry tunnel-boring machine similar to the one used for the north Lyon bypass. This TBM digs through rock and soft ground, then lays the tunnel segments. The contract is worth about €320 million.

A bus maintenance depot at Kowloon

Dragages HK has signed a €50-million contract with Sun Hung Kai, the biggest investor at Hong Kong, to build a bus maintenance depot at Kowloon. Delivery of this 15-month project is slated for December 2001. The pillars, beams and slabs are being prefabricated in the People's Republic of China. Dragages HK won this second contract from the investor (the first was for the new highway 3) by proposing a more economical solution, using concrete rather than steel.





Turkmenistan

A relationship of confidence with the client

Owing to its expertise in delivering turnkey projects all over the world, Bouygues Construction has been chosen to erect most of the prestige and administrative buildings in the capital of Turkmenistan. The confidence developed with the client is leading to more high-quality projects there.

On 14 Nov. 2000, Martin Bouygues and President Atayevitch Niyazov signed five contracts, worth a total of €240 million, for the construction of a hotel, the Gas and Oil Ministry, the central bank, a banquet hall and a school.

Bouygues Bâtiment has been working in Turkmenistan since 1994.

Ashgabat Convention and Fine Arts Center

A 2,800-seat auditorium, a banquet hall for 800 guests, a façade clad in Carrera marble, superior-quality finishings – the center is a brilliant illustration of Bouygues Construction's know-how. It was delivered in 2000.

The Ministries of Defense and Justice were completed in 2001.





▲ Geok-Depe Mosque

Erected on a special foundation for earthquake protection, this was Bouygues Construction's first building in Turkmenistan (1994). It stands as a symbol of the country's newly found liberty. Everything for its construction but the sand and steel had to be imported.



▲ Presidential Palace

Built in 1997, the palace is a harmonious blend of history and modern technology. Marble, staff, precious woods and Briare gilded enamels mix with building management systems, a security monitoring network and TV broadcasting facilities.





GROENE HART TUNNEL

A green submarine in Holland

Below ground, sand saturated with water. Above ground, a bird sanctuary, polders, canals and windmills. The challenge: to bring the Thalys high-speed train line to Amsterdam without spoiling this picture-postcard landscape prized by the client. Bouygues Construction came up with an innovative, “all-green” solution that includes the largest diaphragm-wall worksite in Europe.

“He was the world’s No. 1 carrot grower,” recalls Pierre Boiraud, Bouygues TP’s general manager (Civil Works), who led the negotiations. “One day, they discovered a huge natural gas deposit on his land. With the expropriation money, he bought the company that laid the pipes for this gas, created a firm called Koop, and went into the civil engineering business. His nickname is the Dutch Bouygues.” When the Dutch Transport Ministry issued a call for bids to design and build a tunnel, the French Bouygues

went looking for a partner in Holland with a business approach and capabilities that would complement its own. Not surprisingly, Bouygues Construction (90%) and Koop Holding Europe, a Dutch construction and civil engineering company (10%), decided to team up in the project.

A single tunnel

The project in Groene Hart, the “green heart” of the Randstad region, involved several constraints such as limiting the visual impact of the high-speed rail line, protecting the polders and canals,



The route of the HST line

n land

and minimizing noise annoyance to the area's inhabitants. Bouygues Construction and Koop had to come up with a distinctive solution to this complex problem. The idea of a single large tunnel rather than two smaller ones would save time and materials. Besides guaranteeing passenger safety, the tunnel's design would have to preserve the natural environment on the surface as well as ensure the structure's stability during construction. Lying below sea level, the tunnel would be subject to a law of Archimedes that says that the pressure on a body increases with its diameter. Another challenge would be to avoid an excessive buildup of air pressure when two HST trains running at 300 km/h sped by each other in a single tunnel.

Limited access

The Dutch Transport Ministry short-listed five bidders and finally chose Bouygues Construction and its partner. They proposed building one tunnel instead of two, with an exceptionally large diameter of 15 meters, which will have to be dug with the biggest tunnel-boring machine (TBM) ever built. A vertical wall having openings at intervals to equalize the pressure will split the tunnel in half along its entire length. This approach ▶

14.85 m



The largest tunnel-boring machine ever built has been designed for the project. Its diameter is 14.85 m, compared with 8.72 m for the one used to dig the railway tunnels under the Channel.



The largest tunnel-boring machine in the

► also eliminates the connecting galleries that are needed with twin tunnels. The geological conditions at Groene Hart would make the construction of such galleries difficult because the soil would have to be frozen so that it could be bored out like soft rock.

Protecting the environment

The specially designed TBM for Groene Hart builds the concrete floor on which the tracks will eventually lie and the tunnel walls at the same time. This is important because the weight of the floor helps the structure withstand the external pressure mentioned earlier. The access cuts, which include the entry shaft for the TBM and an underground technical building, are partially covered. By greatly reducing the size of these structures, the number of access points at the site and the volume of excavated earth, the Bouygues

Construction solution also reduces the environmental impact and the cost. There still remains the complex task of carrying out the project. Bouygues TP has acquired its experience with tunnel-boring machines in large-scale projects like the Channel Tunnel, the northern Lyons bypass, the Tai Lam and Kwai Tsing railway tunnels (in progress) at Hong Kong, metros at Lille, Sydney and Cairo, and the wastewater outlet at Clichy-la-Briche. Despite their formidable appearance, these giant TBMs packed with electronic systems are the perfect tool to dig beneath the earth without doing harm to the environment. Starting from a single shaft, they bore the tunnel, inject pressurized mud (called slurry) to keep the earth from caving in, and build the watertight tunnel wall with prefabricated segments of reinforced concrete, all in one continuous operation. The TBM evacuates the

excavated earth, grinds ahead through different types of ground without resurfacing, and leaves behind a finished and durable structure that does not require any special maintenance.

Stability and safety

Measuring 120 m long and weighing a total of 3,100 T, the tunnel-boring machine for Groene Hart, which was designed by Bouygues Construction and built by NFM Technologies at Le Creusot, is a technological feat in more ways than one. First there were problems of stability related to the machine's size during both operation and maintenance that had to be solved. For example, owing to its large diameter, the cutting head is 170 sq. m, compared with 100 sq. m for the machine used at Sydney. Then there was the manufacture and assembly of the parts. The bearing and drive gears that make up its central

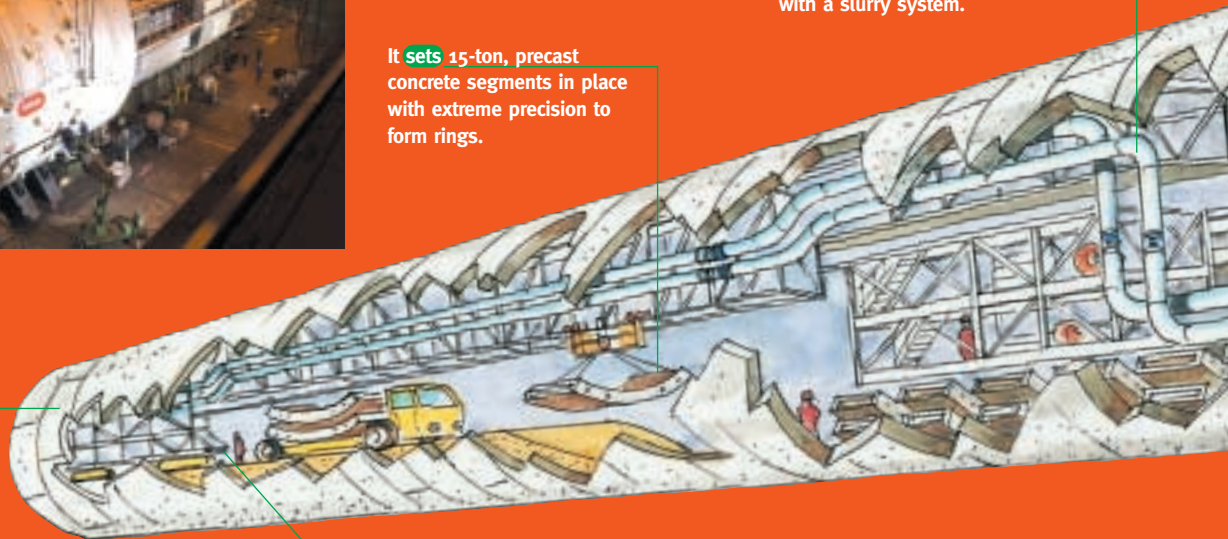


The TBM processes 600 pieces of data per second in real time.

It **excavates** the soil and pumps it out of the tunnel with a slurry system.

It **sets** 15-ton, precast concrete segments in place with extreme precision to form rings.

It **constructs** a clean, watertight, durable structure requiring no special maintenance in one continuous operation.



It **erects** rings as it advances to permanently support the earth around the tunnel.

world. A 120-meter-long, **3,100-ton monster!**

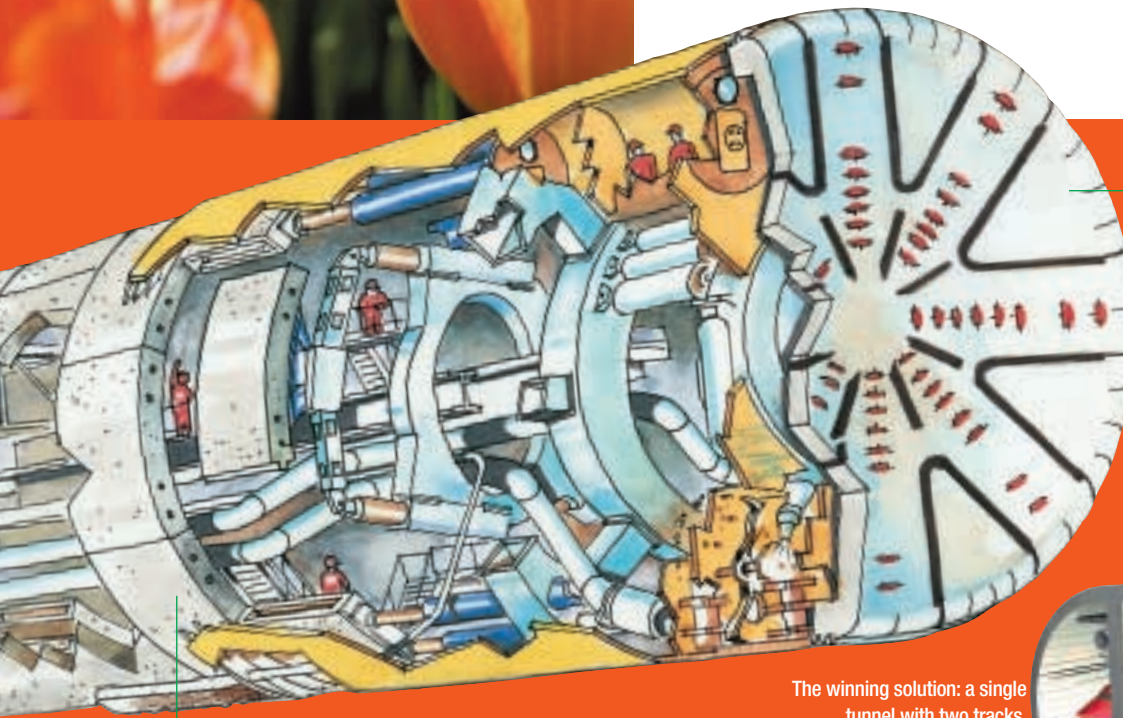
component were machined from a block of metal of record proportions: 8.40 m x 7.40 m x 4.20 m and a weight of 300 T. Safety was enhanced in several areas, including the access to the cutting chamber (a pressurized environment like in a submarine), the supply line for the prefabricated concrete segments that form the tunnel wall, the slurry circuit (a hydraulic system with seven pumps that carries away the excavated earth), the ventilation system and the access to the machine for the workers.

Real-time guidance

This state-of-the-art machine is equipped with a system called Catsby, which performs real-time analyses of data supplied by the TBM to detect variations in the soil and avert incidents related to the geology. Developed by Bouygues Construction, its prototype was used on the TBM at

Sydney. The Pixis automatic guidance system, also developed by Bouygues, indicates the TBM's position in "space" by means of real and virtual sensors. Each second, 600 parameters are recorded and analyzed to ensure that this multitask monster is on course and functioning properly.

Bouygues Construction's share of this four-year contract is worth €380 million. The project is also offering an opportunity to train several European teams. Bouygues TP and Intrafor, a subsidiary specializing in foundations, have built the entry shaft inside diaphragm walls. That's where this subterranean "submarine" is to be assembled in June 2001, once all the components have arrived from Le Creusot, via the Rhône River, the Strait of Gibraltar and the Atlantic. In 2005, HSTs will begin running through the tunnel it builds. ■



It **inches** forward blindly by pushing off from the last-erected ring with more than 18,000 T of thrust.

It temporarily **supports** the earth in front of and lateral to it by replacing the excavated soil with pressurized slurry.

It controls its direction by monitoring roll and pitch with laser sensors and an optical fiber system.

The winning solution: a single tunnel with two tracks. This eliminates the galleries between the two tunnels initially planned and reduces the size of the access structures.



A great ship for **gre**





OFFSHORE WORKS

at depths



The new flagship of Saibos CML was commissioned in 2000. Specially designed to work in ultra-deepwater oil fields at depths up to 3,000 m, this huge, multipurpose, one-of-a-kind floating factory is a powerful tool for tapping new markets.

Offshore projects are usually done from barges that are moved short distances by means of lines anchored to the ocean floor. The state-of-the-art design of the *Saibos FDS* (Field Development Ship) frees it from the constraints of mooring lines, while allowing it to operate in Force 5 winds. As a result, this vessel in the fleet of Saibos CML, the 50-50 joint venture between Bouygues Offshore and Saipem, can expect smooth sailing when it goes to work in the deep waters and heavy swells of the South Atlantic.

Autopiloted

Its specially shaped hull, in which weight is distributed between the bow and stern, is equipped with a dynamic positioning system. Six computer-controlled side thrusters, similar to the ones on tugboats, are operated with data from beacons on the ocean floor and the coast and from satellites. This system allows the ship to be stationed at a precise position and kept within a few meters of it.

The advantage is that the costly (and in very deep water, impossible) anchor-line operations that are necessary to maneuver barges are eliminated. The dynamic positioning

system calculates the force of the waves, the wind and the current and also factors in the drag from the pipeline that is being laid. The ship uses its thrusters to supply just the force needed to resist the shock of the waves, no matter which direction they are coming from (including the worst case, broadside to the vessel) and thereby holds its station above an undersea worksite or near a production platform. Everything possible has been done to design this high-tech ship to ride the waves smoothly so that work can continue uninterrupted.

Jack-of-all-trades

The *Saibos FDS* can perform a multitude of tasks such as pipe welding, lifting loads weighing up to 600 tons, pipelaying, installing and connecting wellheads on the ocean floor, and setting up risers that bring crude oil to the surface. To lay pipe in deep water without destabilizing the ship, the pipe is fed into the water vertically from the J-lay tower, so called because the pipe describes a J when it reaches the bottom. Robots rather than divers must perform all operations on the ocean floor because of the extreme pressures. These ROVs (Remote Operated ▶

This huge multipurpose ship can do all the installation work at deepwater oil fields.

► Vehicles) with manipulator arms outfitted with pliers, wrenches, and hooks can work under a pressure of 130 bars, or 1,300 tons per square meter. They are controlled from the *Saibos FDS*, with cameras used to measure distances and virtual images to calculate the positions of the pipe sections to be connected.

This huge, multipurpose ship also has the capacity to house over 200 people and the power to sail from one field to another at an unequaled speed of 14 knots. No other ship of this type in service today combines all these capabilities.

An all-time first 2,200 m down

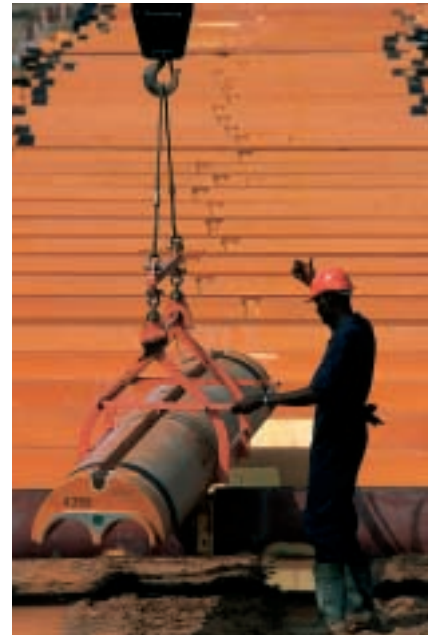
The *Saibos FDS* left dry dock in May 2000, underwent tests in September and was delivered in October. It then sailed to the United States to be outfitted with some final pieces of equipment before heading off on its first assignment. This is to lay pipelines for TotalFinaElf E&P Inc. in the Canyon Express project in the Gulf of Mexico, a contract worth a total of €32.4 million (€16.2 million for Bouygues Offshore). One special aspect of this project is that the pipe is to be laid at depths ranging from 100 to 2,200 meters, a world record for rigid pipelines.

This will be a new challenge for Saibos CML, which will be operating nine times deeper than ever before on a project of this scale. Work is scheduled to begin in mid-2001. After finishing there, *Saibos FDS* will

set sail for the Gulf of Guinea to start the Girassol project. This major contract in Angola, awarded by Elf to the Altomar Girassol joint venture (Bouygues Offshore and Stolt Offshore), is valued at \$410 million. There the difficulty will be to install the pipe to link the oil field, which lies 1,350 meters below the surface and the largest FPSO (Floating Production, Storage and Offloading) vessel ever built. The contract also includes the installation of the command/control umbilicals and the network of lines on the bottom to collect the crude oil at the wellheads.

Contracts on the horizon

These two projects take the Bouygues Offshore subsidiary into the new era of ultra-deepwater oil field development. Because of the sophisticated technology required, fewer than ten companies in the world currently have the capacity to offer integrated, turnkey solutions to carry out such projects. *Saibos FDS*, a unique ship built at a cost of nearly \$150 million (50%-financed by Bouygues Offshore), allows Saibos CML to position itself as a major player in ultra-deepwater development, with the equipment and know-how to execute projects from start to finish. The Bouygues Offshore subsidiary has its sights set in 2001 on ten or so contracts in this market, each worth over \$40 million – plenty to keep this Ferrari of field development ships revved up and humming. ■



Work has begun in the Girassol project, in Angola. The contract is with TotalFinaElf.



Pipe welding is one of the many jobs done on the *Saibos FDS*.



The largest FPSO (Floating Production, Storage and Offloading) vessel ever built will be used to develop the Girassol offshore oil field in Angola. The *Saibos FDS* is an important tool in this exceptional project.



The Field Development Ship of Saibos CML can sail from one oil field to another at an unmatched speed of 14 knots.

1 Thruster in the ship's dynamic positioning system (recessed in the hull).

2 Deck with 4,000 sq. m of work space.

3 Remote operated vehicles (ROVs) to work at depths up to 3,000 m.

4 Pipeline welding shops.

5 J-lay tower for pipelines.

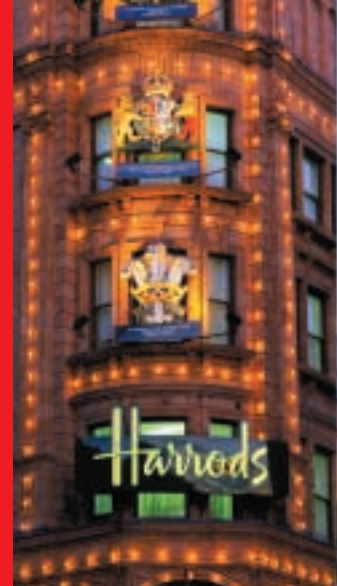
6 Crane with a capacity of 600 T.

7 Living quarters with 219 bunks. If there were more, cruise ship regulations would be applicable.



**VALUE CHAIN**

By offering a broad range of skills, from project financing to building maintenance, Bouygues Construction has won several contracts in Britain's expanding PFI (Private Finance Initiative) market. With a hand from Saur.



Global offer

An annual revenues of Bouygues UK now stand at €120 million, an impressive twofold increase in just three years. Created from scratch, the company has over 180 employees today. Half of them are British, and that proportion will soon rise to 80%. Bouygues UK originated in a 50-50 joint venture formed in 1996 by Bouygues Bâtiment International and Quille, a building and civil works subsidiary based at Rouen, in northern France, that had been contracted by one of its French clients to construct a hotel in Britain.

Lagging development

At about the same time, a program set up by the British government in 1990 to spur lagging infrastructure development in the country got under way in earnest. Special contracts were created to encourage public-private partnerships. The idea was for the private sector to supply part of the capital needed to construct new facilities along with know-how in managing their operation over the long-term. Private firms were called on to finance, design, build, operate and maintain these facilities. To come up with the funding, they were to join with financial partners in a company specifically created for each project. The investment made by this company would then be repaid in annual installments by the party ordering the facility. This arrangement was very familiar to Bouygues Construction, which had long worked in the market of fixed-budget turn-

key projects. With this approach, which is used, for example, in Eastern Europe to build offices, hotels and shopping centers, the company takes over the full management of the project. It is the only one to interact with the client and coordinates architects, operators equipment suppliers, and everyone else working in the project.

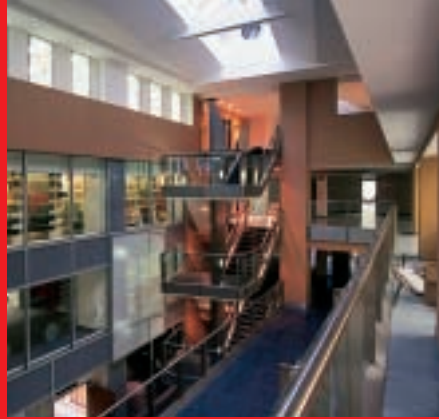
Competencies from A to Z

Such contracts bring more added value to clients by providing them with assurance of the price, delivery schedule and quality. The Group's expertise in financial engineering allows it to propose project financing, a service much appreciated by clients with insufficient budgets. Bouygues UK's success has depended greatly on this experience. Private Finance Initiative (PFI) projects call for competencies in three areas: financial engineering, design-build contracts with a fixed budget, and all the services related to the building's operation and maintenance.

Therefore, bidders for such contracts must be able to take a global approach, in which a full range of capabilities, the capacity to coordinate and integrate, and responsiveness are all crucial.

Bolder risk-taking, more competitive prices, more detailed project analysis, know-how in complementary fields





King's College



Barnet Hospital

for trademark

– all these cards were in the hand of the Bouygues Construction teams from the start. On the other hand British contractors, whose role is usually limited to execution (the consultant representing the client lays out the project on paper before it is carried out), initially seemed less inclined to take this approach.

In addition, there is close cooperation with Saur through its subsidiary Ecovert South, a specialist in facilities management. It determines the exact needs and supplies the services requested by the client to make the facility work (upkeep, maintenance and operations) for a period of several decades. This is the third aspect of PFI contracts. This synergy allows Bouygues UK to step forward as the contractor that can take charge of every stage of a project: financing, design-build, maintenance and management (e.g., catering and laundry services at a hospital). Although the British excel when it comes to financing, not many competitors are able to supply all the links in the value chain of a project, and do so with

teams already used to working with fixed budgets like those in PFI programs.

Inside the Home Office

Three projects, worth a total of almost €1.0 billion, have already established the reputation of Bouygues UK and Ecovert South (see box). A fourth is to be signed in mid-2001. This contract is for the construction of the new headquarters of the British Home Office. The choice of a foreign company to construct a public building such as this is an illustration of British pragmatism: the contract is going to the bidder offering the best service. It is also a reflection of the well-spent efforts that Bouygues UK threw into the tough fight for this contract, which it won, to the surprise of more than one contender. ■



Major PFI contracts in the London area

	Design-build phase (months)	Provision of services (years)	Amounts for construction (millions of euros)	Total contract amount (millions of euros)
King's College	20	25	148	325
Barnet Hospital	47	30	74	305
West Middlesex Hospital	42	35	83	340
Headquarters of the Home Office*	34	29	260	615

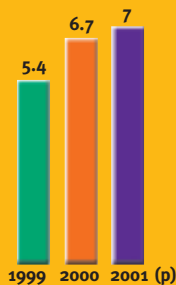
*Bouygues UK has been selected as the exclusive bidder for the contract.



THE WORLD LEADER IN roadworks

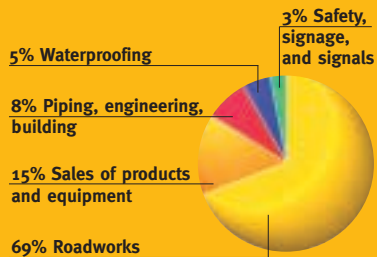
Sales: + 23% in 2000

Economic turnover in billion euros

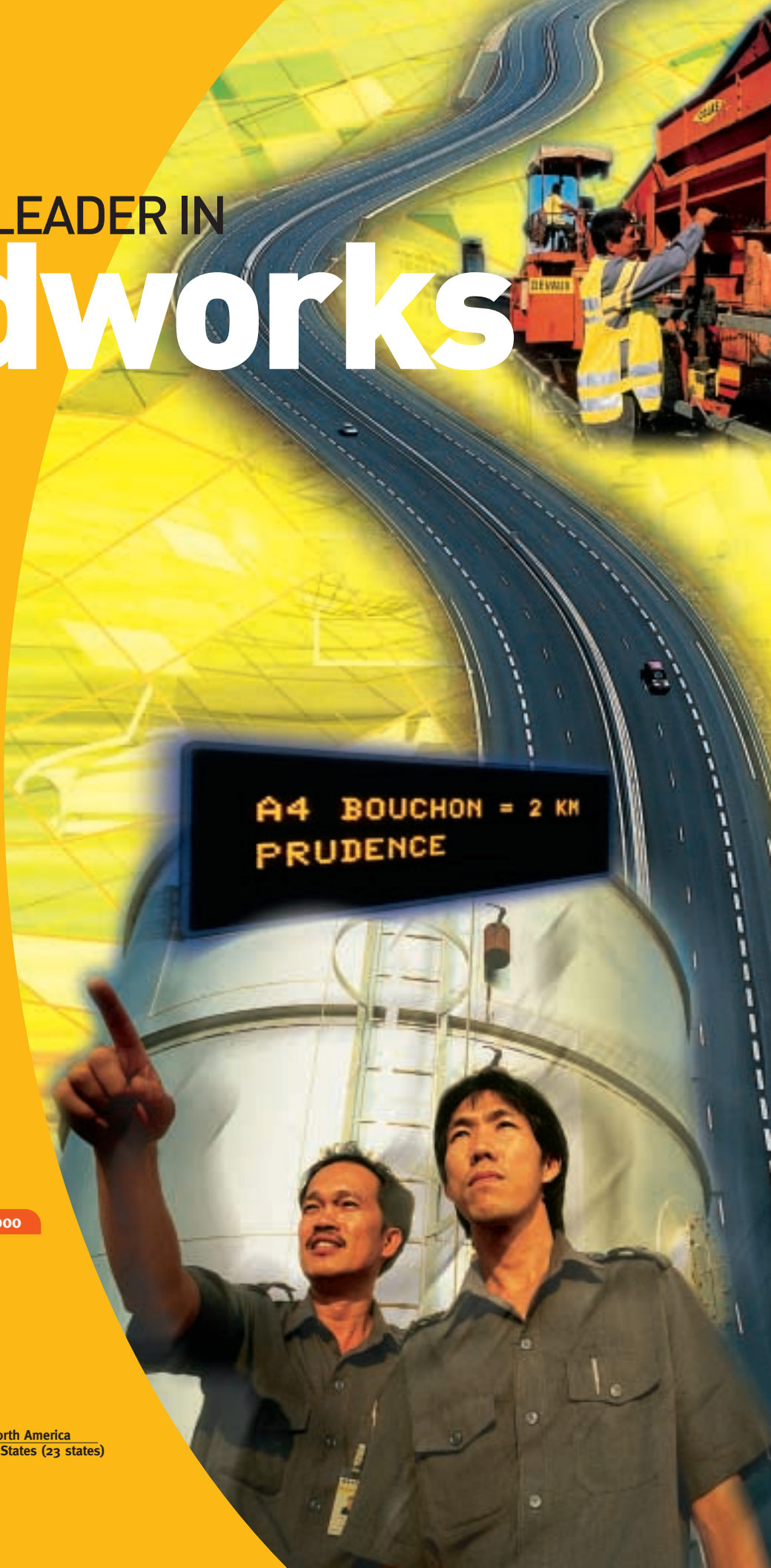
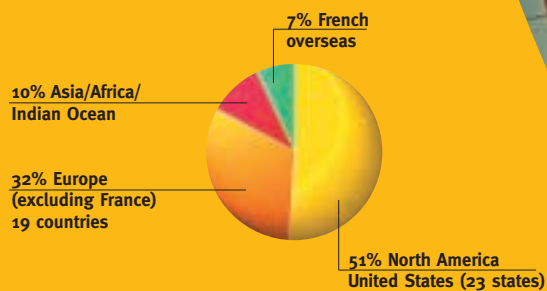


All roadwork activities

Share of sales in 2000



International: 43% of total sales in 2000



Colas is involved in all aspects of road construction in France and abroad. In addition to its core business of road building and maintenance, Colas has steadily growing resources for the production of aggregates, coatings and asphalt emulsions. The reserves in its many quarries are sufficient for another 20 to 25 years of production. It can also supply a complete range of safety equipment, signage and signals, waterproofing, piping, environmental systems, services as well as operate concessions. Active in 50 countries with a decentralized network of 1,000 subsidiary companies, Colas has a strategy of a high level of investment, most of which targets new acquisitions. Its sales have tripled in the last 10 years. Colas will continue to expand, with an emphasis on external growth, while ensuring that its recently acquired companies are successfully integrated.

MAIN SUBSIDIARIES

Sreg, Sacer, Spac (pipelines and piping), Somaro (safety, signage and signals), Smac Aciéroïd (waterproofing), Colas Environnement et Recyclage

INDUSTRIAL ACTIVITIES

- **Quarries:** 86 million tons of aggregates produced in 2000
- **Industry:** world leader in emulsions and binders (1.4 million tons), 51 million tons of coatings

R&D: AT LEAST ONE NEW PRODUCT PER YEAR

- **An International network** of 800 researchers, engineers and technicians
- **First private research center** to be established in the world devoted to roadworks (Magny-les-Hameaux campus in the Yvelines region)
- **New products in 2000:** an anti-kerosene coating for airports, a new range of bituminous membranes, and Coletanche for retention basins and landfills

KEY FACTS

- **Consolidated economic turnover increased by 23%** and **net profit** attributable to the Group **by 51%**
- A rapidly growing staff: **4,000 new recruits**
- **Continued external growth**, equaling 150 million euros in supplementary sales. In France, a strengthening of the company's network and a complementary offer; industrial and regional development abroad
- **International and French overseas sales: + 28%**
- **Major projects:**
 - **France:** Strasbourg's Entzeim airport, "Route Centre Europe Atlantique", the tramway in Nancy, the "Artère du Centre" pipeline installation
 - **International and French overseas:** RN2 in Romania, Interstate 5 and 12 in New York state, the Casablanca-Settat highway in Morocco, Vanuatu airport runways, RN2 in French Guiana
- **Bouygues' shareholding** in Colas grew from **56% to 96.47%** in September 2000

Consolidated balance sheet at 31 December

ASSETS (million euros)	2000	1999 Pro forma
Intangible fixed assets	116	78
Goodwill	113	72
Tangible fixed assets	1 019	782
Long-term investments	288	238
Fixed assets	1 536	1 170
Stocks and work in progress	183	151
Trade and other receivables	2 052	1 621
Current assets	2 235	1 772
Net cash	124	395
Total assets	3 895	3 337
LIABILITIES (million euros)	2000	1999 Pro forma
Share capital and reserves	558	626
Net profit attributable to the Group	153	101
Minority interests	31	25
Shareholders' equity	742	752
Provisions for liabilities and charges	463	408
Financial liabilities	234	151
Long-term capital	1 439	1 311
Progress payments received on request	70	76
Other liabilities	2 282	1 920
Current Liabilities	2 352	1 996
Short-term bank loans and bank credit balance	104	30
Total Liabilities	3 895	3 337

Sales 2000

6.5 billion euros

Employees

48,000

Consolidated profit and loss account

(million euros)	2000	1999 Pro forma
Sales	6 517	5 296
Other operating revenue	393	265
Operating expenses	(6 732)	(5 453)
Share in profits of incorporated joint ventures	42	39
Operating profit	220	147
Financial products and charges	(18)	(1)
Profit before tax and exceptionals of consolidated companies	202	146
Exceptional products and charges	14	(7)
Profit tax	(76)	(56)
Net profit of consolidated companies	140	83
Share in net income of equity affiliates	30	30
Goodwill amortization	(14)	(9)
Net profit before minority interests	156	104
Net Profit attributable to the Group	153	101
Attributable to minority interests	3	3



ROADS IN PICTURES

LATITUDE

Roads winding through mountains,
streets crisscrossing cities, superhighways spanning nations – Colas,
a road construction leader, improves the comfort, increases the capacity
and enhances the safety of these arteries for goods and people that are vital
to human progress. Shall we go for a drive?



In the heart of the **Canadian Rockies**, the crews of Alberta North Highway Services perform year-round maintenance on nearly 500 km of roads.

S COLAS

On **Réunion**, the Salazie road snakes around a volcanic crater, giving tourists stunning views of the countryside. Colas has worked on the island since 1954, helping to build or improve many of its roads and highways.





On **Madagascar**, as on the other islands in the Indian Ocean, the road-building market is limited, so Colas does different kinds of projects as well. At Soalala, an important shrimp-producing region, Colas built a 740-acre aquaculture basin.



Since its worksites are always in different locations, Colas has portable asphalt plants. These plants turn out over **50 million tons of asphalt mixes** a year. Colas is also the world's largest producer of binders, with an annual output of 1.4 million tons.



The Etang Salé road runs through farming communities in **southwestern Réunion** that also attract many tourists.

In the **Alps**, national highway 91 connects Briançon and Grenoble via Lautaret Pass.





Expressways in and around cities are another Colas specialty. The one shown here is in **Georgia**.

Colas is an international company with a local impact. Besides highways to connect communities across wide-open spaces, it builds streets, squares, bypasses and airports as well as public transport and service networks to help those communities to grow.



In some communities, Colas paves with **Colsoft**, a special asphalt that produces 70% less noise than conventional surfaces. Drivers and residents alike appreciate its performance.



Marketed by Screg since 1998, **StreetPrint** is a technique for adding color and relief to traditional asphalt to create original designs in city pavement. A novel alternative to paving stones, it is decorative, versatile and quick to lay.



Colas renovated the only runway (2.4 km) at **Strasbourg-Entzheim** International Airport (France) in just 40 days to minimize the interruption of air traffic.



After virtually disappearing 30 years ago, tramways are making a comeback. Some cities now see clean, quiet and fast trams, which run on either rails or tires, as a solution to traffic congestion. Colas is working in all the tramway projects in France, including those at **Lyon**, Montpellier, Nancy, Nantes and Orléans. It also moved into a new business in 2000 by forming the railway works subsidiary Seco-Rail.

With offices in France never more than 50 km apart, Colas is truly **a local company.**





This road winding through the **Moroccan desert** gives access to several isolated villages in the Atlas Mountains. GTR and LRM, two Colas subsidiaries in Morocco, improve nearly 600 km of old roads and build about 100 km of new ones each year. In 2000, they won two large road construction contracts, at Casablanca and Sidi El Yamani.



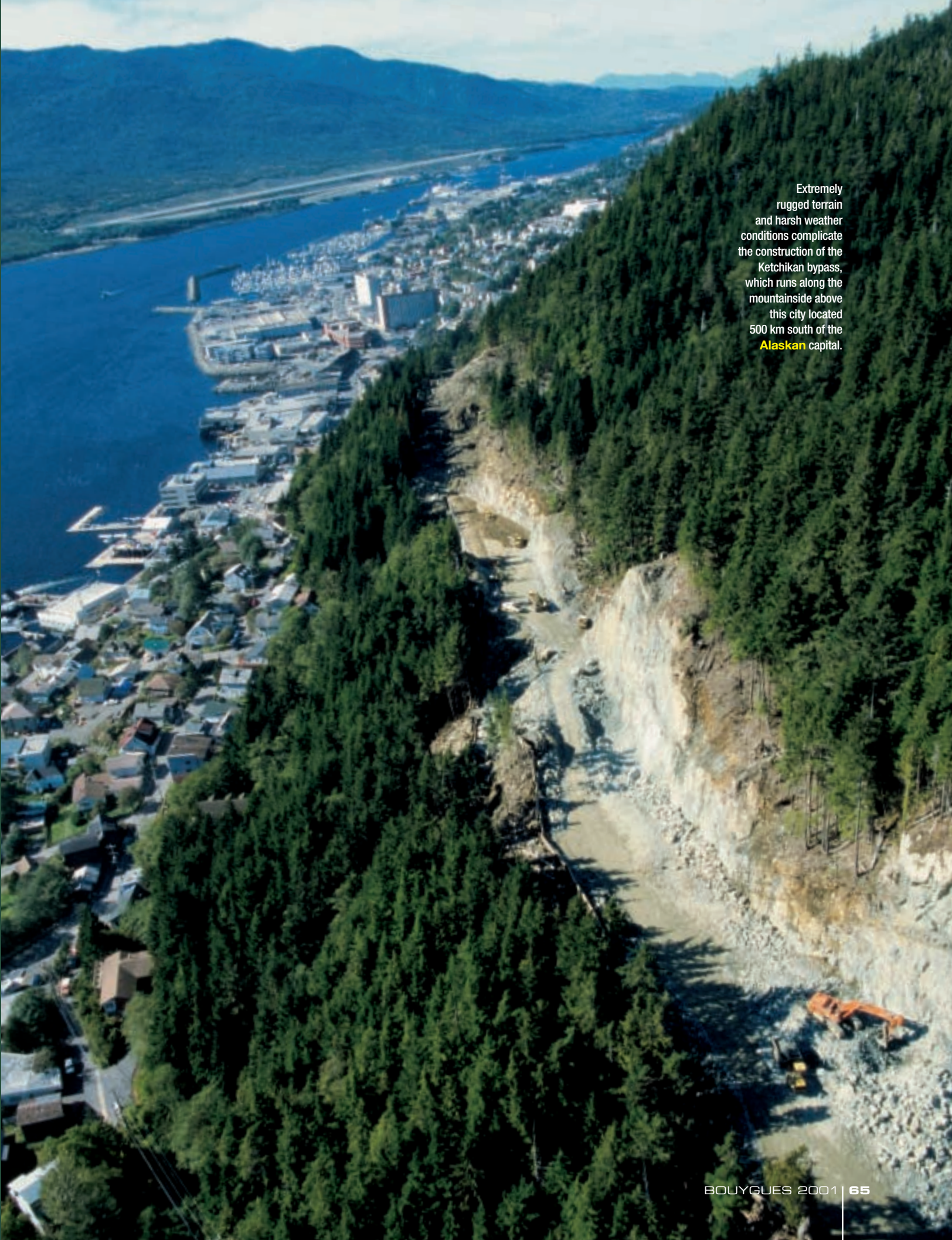
Colas has worked in **French Guiana** since 1999 through Ribal, its subsidiary here. It is currently doing an earthworks project in the heart of the Amazon forest that will connect the communities of Régina and Saint-Georges-de-l'Oyapock to the border with Brazil.



Colas' quarries produced **86 million tons of aggregates** in 2000. They are scattered in many places all across France, making it easy to supply worksites locally.



The 450-km-long national highway 2 is one of the main roads in **Romania**. It runs between Bucharest and Constanta, a port and resort city on the Black Sea.



Extremely rugged terrain and harsh weather conditions complicate the construction of the Ketchikan bypass, which runs along the mountainside above this city located 500 km south of the Alaskan capital.

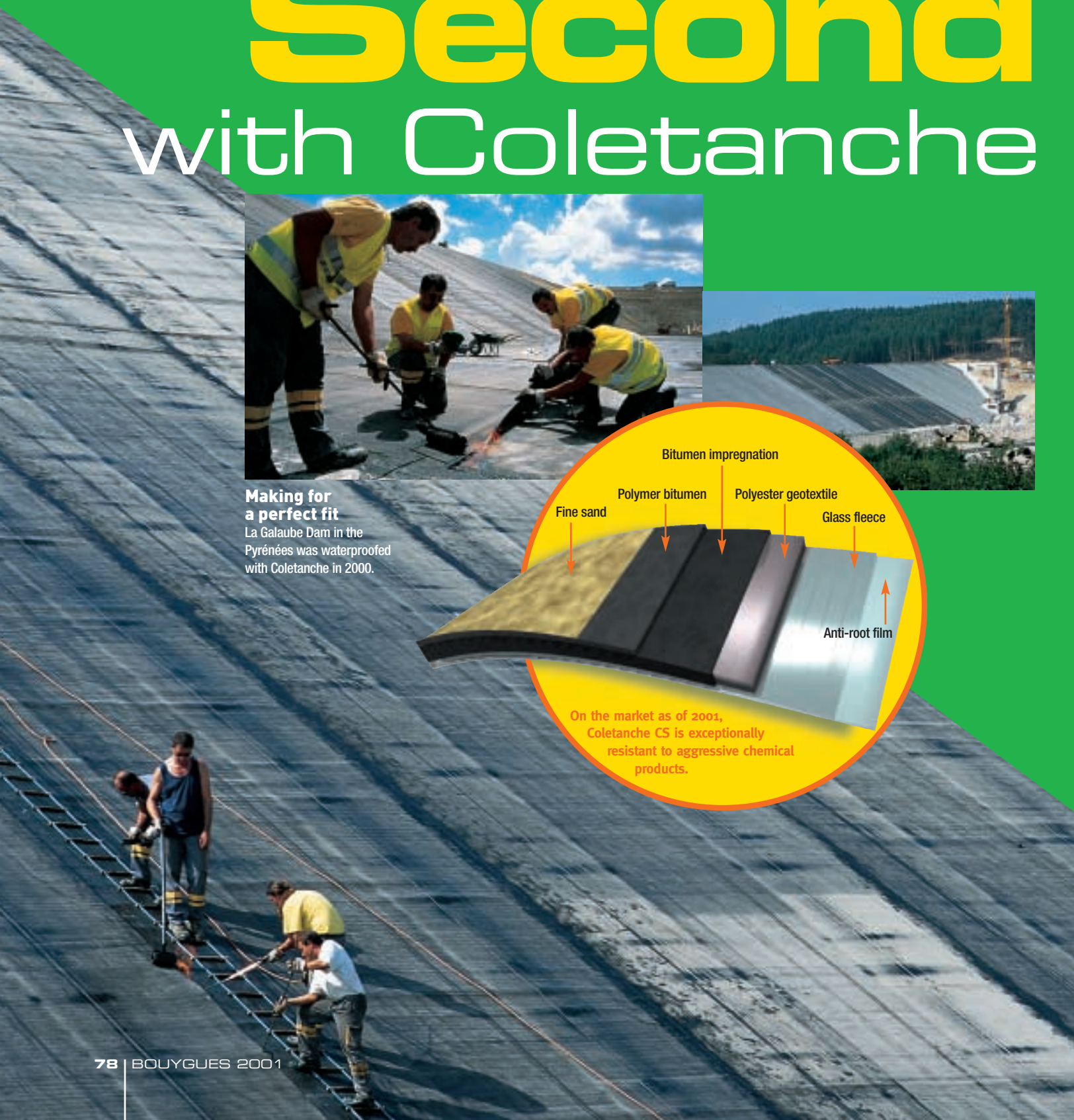
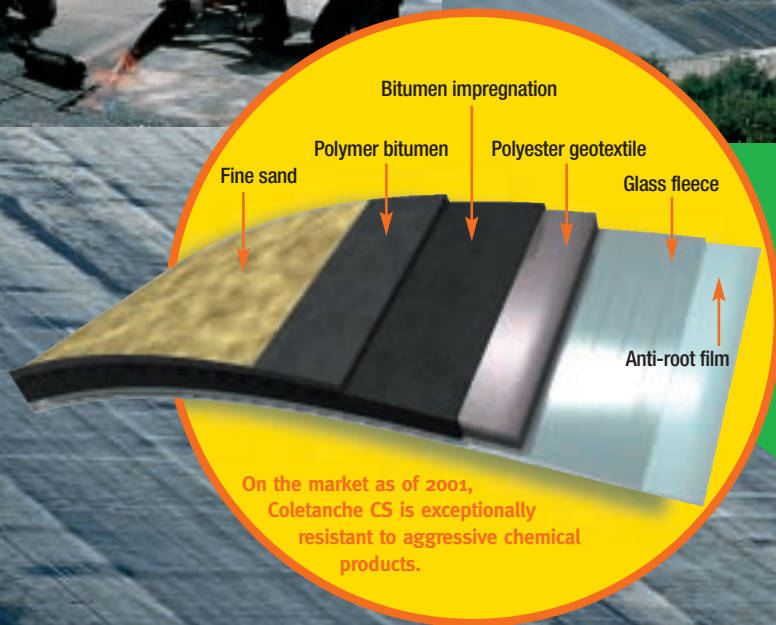


ENVIRONMENT

Rolling out Second with Coletanche



Making for a perfect fit
La Galaube Dam in the Pyrénées was waterproofed with Coletanche in 2000.



a skin

When structures need to be protected from high water, seepage or damaging run-offs, Colas bituminous geomembranes are the solution.

Here's the story of these flexible but absolute barriers that go by the name Coletanche.

Thanks to its innovative qualities, a new arrival in the Coletanche family of membranes is going to contribute even more than its other members to protecting the environment. Bitumen has always been the specialty of Colas. Mixed with aggregates to form hot and cold coatings or sprayed both hot and cold to renew pavement surface texture, bitumen is the ideal road-building material. It's also the king, however, when it comes to waterproofing. Back in 1975, the easy-to-use geomembranes manufactured by Colas brought a revolution to the waterproofing market. Their reputation became firmly established in the early 1980s, when concern with protecting the environment against toxic run-offs gave rise to new applications such as lining for industrial or household landfills, flooring for green-waste composting areas and protection for ground water along roads and railway tracks.

Practical and effective

Only a few millimeters thick, yet strong, adaptable to the terrain, durable and easy to lay – those are the qualities behind the success of this cutting-edge product designed and marketed by Colas.

Manufactured industrially and delivered in rolls, Coletanche is resistant to aging and mechanical stress. It can also support protective layers of asphalt mix or concrete. Colas does everything, from making the membrane to laying it, and its many branch offices mean that after-sales service is always available locally.

Manufactured in Ireland

In almost 30 years, some 7 million square meters of this membrane have been unrolled at worksites all over the world. In 2000, a new manufacturing plant was built in Ireland, with Galway chosen as the site to facilitate shipping abroad. New, wider rolls (5.15 meters instead of 4 meters) reduce the amount of joint welding required to lay the membrane by 20%, thereby saving time. The Coletanche produced at the Irish plant was used in two large waterproofing projects in 2000. One involved the repair of a basin at the Eurotunnel site in northern France, and the other the construction of a 600,000-cubic-meter retention basin at the Saint-Louis sugar refinery at Eppeville, also in northern France (40,000 square meters of Coletanche on the bottom and 30,000 on the inner dikes). Environmental protection is the primary driver of research and development at Colas. The focus is on designing non-

polluting products, incorporating recycled materials in its production and finding ways to protect water and soil. Three R&D projects were completed in 2000, giving Colas three new products: a kerosene-resistant asphalt mix, a fast-draining surfacing and Coletanche CS (Chemical Safe). This new Coletanche product, which will come out in 2001, provides high resistance to chemical products and leachates, the dangerous acid derivatives that are often found in the liquid residues that collect under waste. The structure of Coletanche CS includes a layer of chemically inert polymer bitumen (bitumen that has been substantially modified by the addition of a plastic). Coletanche CS is competitive with polyethylene membranes, while retaining the incomparable advantage of flexibility. This technological breakthrough holds a lot of promise. The French market for geotextile membranes is 4 million to 5 million square meters (the world market is 120 million). This market is growing by 7% to 8% a year, while sales of Coletanche are rising 20% to 25% annually. ■





ROADS IN NORTH AMERICA

Decentralize and preserve the local identity of companies – these Colas values are flourishing across the Atlantic thanks to the excellent chemistry between the culture of the roadworks firm and the spirit in North America. The results have been strong growth and successful expansion into new markets. Here Louis Gabanna, vice president of Colas Inc. Operations, a company whose territory stretches from California to the Bering Strait, talks about the dynamics of this development.

The accelerated acquisition strategy in North America over the past five years has brought results. What's the situation today?

Louis Gabanna: The business is done by a group of companies united by Colas, and we're No.1 in several places. We're starting to feel the shift. In Western Canada, people call us and say, "I'd like to join your group. It seems very dynamic." That's a sign we've grown.

Grown in terms of sales? Not necessarily. It's rather that we're the leader, the one everybody has an eye on. Our strategy isn't to aim for larger market shares. It's to be profitable. That's what drives our organization. The entire North American market operates

on the lowest-bidder principle, so we have to work constantly to increase our efficiency.

What are the weapons in this battle? The quality of the work, speed of execution, the right equipment. Whether it's a big highway project or a small rural road project, it's necessary to use the right tools. So you have to have an array of equipment that varies in production capacity and mobility. Especially in regions where the distances are great like Alaska and Western Canada.

Are you giving priority to diversification into new businesses or to expanding into new geographic regions? Both. Small companies interest us when they are

located near an existing operation. Ones that are in a complementary business but farther away geographically interest us too, if they are large enough to be self-supporting. In America, we now have 13 subsidiaries, each with several centers of activity. Together, they do about €1.5 billion of business a year.

How do you go about creating a network? One starts by acquiring road construction companies, then asphalt mix plants and finally quarries. Our objective is vertical integration, from construction to aggregates. Otherwise, we'd be only occasional players. In America, it's absolutely essential to do this to have a presence in the sector.

The culture of



the best export

How do you identify the companies that you want to acquire?

With our system of analysis, which Colas has developed over a period of ten years, we can do a complete reconnaissance of the territory. Every year, we push the boundaries of our prospecting a little farther. Our database tells us, the equipment our competitors have, their sales, their financial health. We've also built up networks of contacts through professional organizations in our industry. And because of our previous acquisitions, we've become known, and people know we're in an acquisition mode. It's not unusual to get several phone calls a month from owners who want to sell their company. One of our criteria is that the companies must be profit-making. We only want winners!

How do you introduce yourself to companies that interest you? I sell Colas' philosophy of decentralization and not the consolidation of resources. Unlike some competitors that come and plant their flag and proclaim their new borders, Colas offers more the possibility of keeping the local image and particularly the name. The princi-



ple of decentralization also applies to the management. We're going to draw on what's there locally and ask people to come on board. The company fits in, bringing its new blood and personality, its style, methods, contacts and know-how.

Are there points in common between the mentality in companies that are buyout candidates and the Colas subsidiaries?

Despite the physical distances, there are common traits. It's incredible. A way of thinking, of acting. For example, they are all driven by a gut feeling for competition, by the desire to win, to conquer. The system of awarding contracts to the lowest bidder encourages that. And they're all builders, solid people.

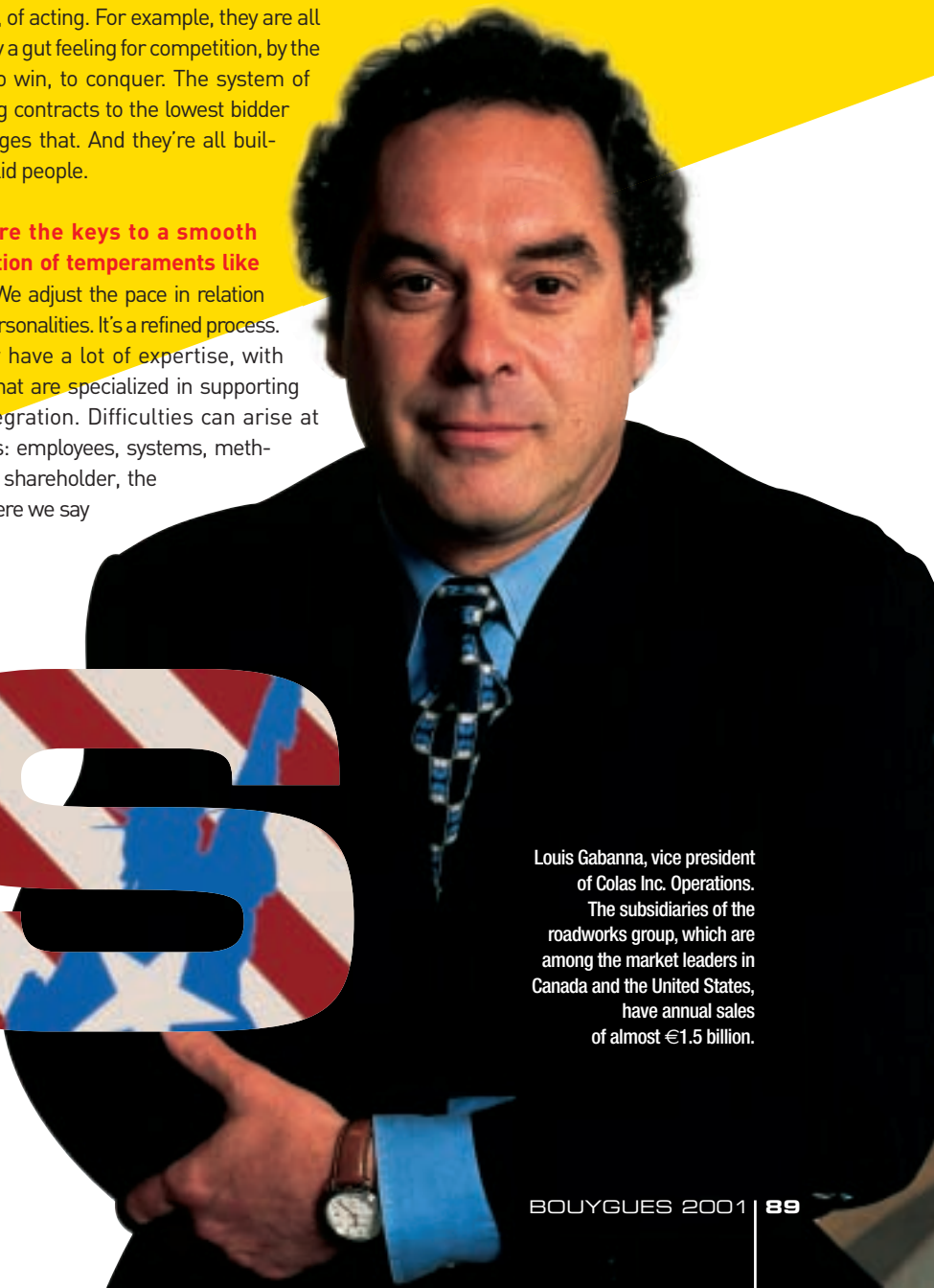
What are the keys to a smooth integration of temperaments like these?

We adjust the pace in relation to the personalities. It's a refined process. We now have a lot of expertise, with teams that are specialized in supporting this integration. Difficulties can arise at all levels: employees, systems, methods, the shareholder, the seller. Here we say

"the proof is in the pudding." You can talk all you want about recipes, but it's the result that counts. You have to work out the problems, point people in the right direction, encourage them along the way. And give everyone the possibility to do their job in healthy conditions, with a partner named Colas.

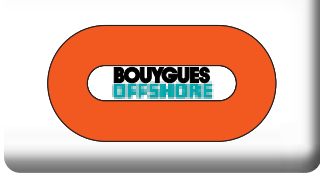
Out of all the Colas products, which one is the most useful to you?

The Colas philosophy – rigor and autonomy – that's our best export product. These notions go together to allow each individual to keep on developing, head in the clouds and feet on the ground. ■



Louis Gabanna, vice president of Colas Inc. Operations.

The subsidiaries of the roadworks group, which are among the market leaders in Canada and the United States, have annual sales of almost €1.5 billion.



A MAJOR GLOBAL PLAYER IN oil and gas contracting

Bouygues Offshore, a subsidiary in which Bouygues Construction has a 51% holding, has expertise in all aspects of oil and gas contracting: onshore-offshore oil and gas production and processing, maritime and river works, liquefied gas, maintenance, refining and chemical projects. With the Sofresid and Doris Engineering mergers, Bouygues Offshore can now offer services at every stage of the value chain: design, precision engineering and equipment procurement as well as construction, installation and maintenance of production units. This integrated offer strategy enables the company to respond to the current market environment - consolidation of major companies in the oil and gas industry, the increasing scale of operations and clients' desire to have a single partner in turnkey projects. Bouygues Offshore is a leader in deep offshore. Its competitive edge in this area recently improved with the launch of the *Saibos FDS*[®] field development ship in October 2000.

LANDMARKS

- Employees include over **29 different nationalities**
- The average size of the largest contracts has grown from \$130 million to \$230 million in the past four years
- Sales: + 8%
- Orders: + 11%

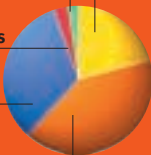
KEY FACTS

Main projects under way or completed and delivered in 2000:

- **Beyrouth Sea Front**, Lebanon
- **LNG Import Terminal**, Bilbao, Spain
- **Blue Stream gas pipeline**, Russia
- **Terminal and pipeline** for the Caspian Pipeline Consortium, Russia
- **Development of oil fields**, Girassol (-1,350 m), Angola

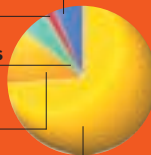
79% of business activity is international

- 21% France
- 2% North Africa/Middle East
- 1.5% The Americas and Asia-Pacific
- 34% Africa
- 41.5% Europe (excluding France)



All oil and gas contracting activities

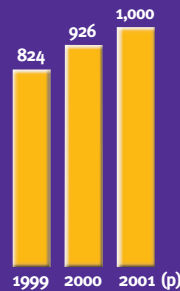
- 7% Petrochemicals and refining
- 1% Liquefied gas
- 6% Maritime works
- 12% Maintenance
- 74% Offshore-Onshore (offshore 29% - onshore 45%)



MULTISPECIALIST IN

Sales: + 12% in 2000

(million euros)



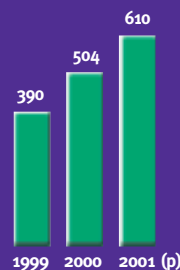
France: good volumes

(million euros)



Housing reserved

Offices reserved



Europe: sales doubled in 2000

Representatives in Spain, Portugal, Germany and Poland



property



Bouygues Immobilier designs and carries out residential, commercial and office projects for companies, institutional investors and private individuals. The year 2000 was highlighted by excellent profitability and substantial debt reduction. Business volume in the booming commercial real estate market, where the supply is more and more scarce, was equivalent to that of the housing market. And in the housing sector, the increase in market share has offset the decline in demand, due in part to private investors' wait-and-see attitude after the Périssol tax incentive expired. Leader in residential and office property development in France with 19 agencies, Bouygues Immobilier plans to pursue its European expansion and the development of retail and leisure centers in France.

KEY FACTS

- **Net profit multiplied by 4** (21 million euros)
- **150 recruitments**
- **Reinforced sales teams in housing real estate**
- **113 sales advisors**
- **National call center** with local-rate phone access for potential customers
- **A new showroom** in the Paris region
- **vivolio.com**, the first Web site for new housing in France. Site includes an on-line presentation of 6,000 apartments and individual homes marketed by France's top three property developers
- **Delivery of prestigious office complexes:** Central Park Issy-les-Moulineaux, 15,300 m²; Espace Seine Levallois, 24,000 m²; Le France Paris Rive Gauche, 21,000 m²

Consolidated balance sheet at 31 December

ASSETS (million euros)	2000	1999 Pro forma
Intangible fixed assets	6	5
Goodwill	—	1
Tangible fixed assets	116	454
Long-term investments	14	28
Fixed assets	136	488
Stocks and work in progress	616	591
Trade and other receivables	704	583
Current assets	1 320	1 174
Net cash	25	34
Total assets	1 481	1 696
LIABILITIES (million euros)	2000	1999 Pro forma
Share capital and reserves	94	88
Net profit attributable to the Group	21	6
Minority interests	7	7
Shareholders' equity	122	101
Provisions for liabilities and charges	71	60
Financial liabilities	43	359
Long-term capital	236	520
Progress payments received on request	1	2
Other liabilities	1 243	1 173
Current Liabilities	1 244	1 175
Short-term bank loans and bank credit balance	1	1
Total liabilities	1 481	1 696

Sales 2000

926 million euros

Employees

800

Consolidated profit and loss account

(million euros)	2000	1999 Pro forma
Sales	926	824
Other operating revenue	24	(48)
Operating expenses	(891)	(722)
Share in profits of incorporated joint ventures	—	—
Operating profit	59	54
Financial products and charges	(27)	(35)
Profit before tax and exceptionals of consolidated companies	32	19
Exceptional products and charges	(7)	(14)
Profit tax	(3)	1
Net profit of consolidated companies	22	6
Share in net income of equity affiliates	—	—
Goodwill amortization	(1)	—
Net profit before minority interests	21	6
Net Profit attributable to the Group	21	6
Attributable to minority interests	—	—

B PROPERTY AND EXPECTATIONS

Location, architecture, services and price – these things, together with efficient project coordination, are the basics for success in property development. However, something else important, is the ability to help a future homeowner, a businessman or a mayor realize a special dream. Here are some of today's trends and Bouygues Immobilier's responses to them.



Interior visions of

We're seeing a fresh surge of energy in a richer world," says sociologist Bernard Cathelat. That's certainly true at Bouygues Immobilier, where neither energy nor audacity is lacking. "But our world has also become harder, vaster, colder and technical," he adds. There's an increasing tendency to turn one's back on troubles outside and to seek improvement in our interior world. Bouygues Immobilier is in step with this trend, or even a step ahead of it.

New homes for a new millennium

The criteria that people consider when buying a home, which are often the same ones their parents weighed, evolve slowly. The "turning inward" trend mentioned earlier is reflected in a desire for a protected and personalized interior space – one that is comfortable, well-insulated for temperature and noise, and designed with its own home multimedia center. Safety as well as comfort is crucial to the occupants' well being. Door codes, videophones, a locked door at each landing and protected parking and elevators are all essential features of apartment buildings nowadays. Personalized services

are another modern-day requirement. Bouygues Immobilier is experimenting with apartment buildings that have incorporated services. Some of these are quite innovative, such as a building manager who checks to see that installations are working properly, oversees maintenance and gardening services, and makes available tools for home improvements, children's games and guest rooms, all provided by the building. The objective: to make life simpler for residents.

Help in decision-making

In the office development sector, the services that Bouygues Immobilier supplies to investors and end-users include helping companies to find solutions to their organizational needs.

The main difficulty is to satisfy ever-rising quality requirements (comfort, pleasant surroundings, work facilities), while retaining the flexibility to adapt the offices to evolving business needs without increasing workstation cost. Pillars, walls and corridors are disappearing. Now there are open spaces with more light and higher ceilings. These spaces can also be divided as desired to adjust for specific situations and create areas by project team.

To simplify life for future buyers, a call center has been set up to answer questions (location, transport, siting, number of floors, balconies, etc.) about each of the 3,000 homes in the Bouygues Immobilier offering in France. Calls to salespeople who are momentarily unavailable are transferred to this center, too. Thirty-five percent of reservations begin with a phone contact. Online home hunters, a crucial segment in tomorrow's market, haven't been forgotten, either. To give buyers a wider choice, Bouygues Immobilier was prompt to join other promoters at the portal www.vivolio.com, which presents about 6,000 new dwellings in France.



The trend is toward cozy, personalized interiors with a home multimedia center.

happiness

This continually updated Web site (a feat performed every day) lists nearly 30% of the homes on the market in major French cities and their suburbs, with detailed information such as floor plans, prices and how they fit into the environment and neighborhood.

No-money-down financing

Buyers must deal with the combined stresses of judging market conditions and making the right choice in such a large and infrequent investment. They are reassured by Bouygues Immobilier's high quality standards (it is one of the only promoters with ISO 9001 certification for all its activities) and its desire to inform, as illustrated by the showroom opened in January 2001, where many features of its homes are displayed in full scale. Bouygues Immobilier is an innovator, too, with services like Intégralimo,

a home-purchasing plan with 100% financing and no money down, and Valorissimo, a set of guarantees offered to private investors in rental property.

Next: fun and recreation

Bouygues Immobilier is considering cabling new neighborhoods in major projects to develop communication and services with local merchants (for example, to allow residents to place orders for home delivery). François Bertière, CEO of Bouygues Immobilier, is even ready to take on the role of injecting vitality into these new neighborhoods. "We are selling a type of life, a type of urban development," he notes.

Vitality is a key word. It is the foundation of Libercité, a development concept combining recreational facilities, shops and restaurants originated by CMC, a subsidiary specialized in commercial and leisure activities. The locomotive of these multi-activity centers is no longer a big supermarket but things like a giant aquarium, roller-park, climbing wall or scuba-diving pool. In the future, people will go to the nearby Libercité like they go for a stroll around town today – with the family, with no specific objective – just "shopping for fun," between reality and escape. ■