BOUYGUES
2005

BOUYGUES

ANNUAL REPORT

CONCORDANCE

Headings of Annex I, EU Regulation No. 809/2004	Annual Report

Historical financial information for 2003 and 2004

The following information is included by reference in this Annual Report:

• changes in the financial situation and operating result between 2003 and 2004, presented on pages 8 to 12 of the 2004 Financial Review filed with the Autorité des Marchés Financiers on 12 April 2005 as no. D. 05-0407;

• the consolidated financial statements for the year ending 31 December 2004, the notes to the financial statements and the auditors' report relating thereto, presented on pages 94 to 122 and page 143 of the 2004 Financial Review filed with the Autorité des Marchés Financiers on 12 April 2005 as no. D. 05-0407;

• the consolidated financial statements for the year ending 31 December 2003, the notes to the financial statements and the auditors' report relating thereto, presented on pages 88 to 116 and page 132 of the 2003 Financial Review filed with the Autorité des Marchés Financiers on 31 March 2004 as no. D. 04-369.

CONTENTS

AMF

This document is a free translation of the Annual Report filed with the Autorité des Marchés Financiers (AMF) on 12 April 2006 pursuant to Article 212-13 of the AMF's General Regulations. It may be used in support of a financial transaction if supplemented by a stock exchange prospectus.

Cover photo: Challenger, main headquarters of Bouygues group until 1 July 2006.

Photo credits: S. Arbour (p. 30), É. Avenel (p. 22-65), J-L Bellurget / Fondation Colas (p. 72), C. Berthet (p. 58), J. Bertrand (p. 29-70), G. Bosio/Yagan Productions/Ushuaïa Nature (p. 74), Buena Vista (p. 35), J. Cauvin (p. 34), CDL (p. 48), J-M Cédille (p. 41), Y. Chanoit (p. 14-18-19-36/ Bouygues Telecom-43-49-50-52-53-54-56), J-F Chapuis (p. 68), E. Chassaing (p. 61), C. Chevalin (p. 37-75-77), A. Chézière (p. 29-98), W. Choroszewski (p. 26), A. Da Silva (p. 17-22-40-41-43-48-80-85-88-102-106), J. David (p. 4-20-60), DDB Paris (p. 38-41), F. Deconinck (p. 38-84-89), C. Demonfaucon (p. 59), T. Deschamps (p. 90-100), F. Dunouau (p. 68-71), FCB/TPS (p. 36), FIA WTCC (p. 37), Free Lance's (p. 29-31), Gautrain Rapid Rail Link (p. 19), B. Germain (p. 31), Getty Images/Red Line (p. 16), D. Giannelli (p. 26), J. Graf (p. 4-52-66-80), F-X Gros-Rosanvallon (p. 104), P. Guignard (cover; p. 18-56), J. Langevin (p. 106), P. Lefebvre (p. 99), P. Lesage (p. 4), D. Mac Allan (p. 46), É. Matheron Balaÿ (p. 40-83-87), B. Matussière (p. 57), G. Maucuit-Lecomte (p. 67), P. Maurein (p. 43-95), P. Muradian (p. 82), Paris Venise (p. 90), V. Paul (p. 49-58-63-64-69-101), M. Pelletier (p. 2), A. Picard (p. 42), Procitel (p. 20), F. Pugnet (p. 99), V. Rackelboom (p. 78), Rapp Collins (p. 40), M. Robinson (p. 93), J-C Roca (p. 34-76), P. Ruault (p. 104), Somaro (p. 70), Studio Mauve (p. 69), J-M Sureau (p. 32-74), É. Thibaud (p. 100), TPS (p. 78), TVO (p. 19), T-D Vidal (p. 72), Z. Waters (p. 30), L. Zylberman (p. 28-48-86-88-98-105). Photo libraries: Bouygues (p. 7), Bouygues Construction (p. 55-57), Bouygues Immobilier (p. 25-94), Colas (p. 30-73-102), TF1 (p. 35-36), Bouygues Telecom (p. 42-82-90-91-101). Architects: Arquitectonica/Arup Sustainable Design (p. 23), Atelier Lechuguette (p. 100), Baumann/Plobner (p. 25), Bernardo For Brescia/Bridot Willerwal (p. 22), BNT (p. 17), A. Derbesse (p. 25), Devillers/Brochet/Lajus/Puejo (p. 46), J. Dubus/G. Roustan (p. 62), Mário Sua Kay (p. 24), J-J Ory (p. 20), Partenaires et architectes/AGBF/Urban Concept (p. 60), K. Roche (cover, p. 44)/J-M Wilmotte (p. 44), RTLK/Valode & Pistre/Estudio Lamela/Allende Arquitectos/Estudio de Arquitectura Indya/Ana Ordás (p. 24), Solzic-Cléret (p. 22), Valode & Pistre (p. 16), Vincent Casinos Architectes (p. 83). i-mode™ and broadband i-mode™ are trademarks registered by NTT DoCoMo Inc. in Japan and other countries.

2005: an ex

Bouygues had another excellent year in 2005, with all indicators showing substantial progress in relation to 2004. Recurring net profit was up 19%, while the return on capital employed rose from 12.7% in 2004 to 16.5%.

The long-term nature of Bouygues' performance makes its achievement all the more significant. Sales have increased by 18% since 2001, operating profits have doubled and net profit has tripled. These figures show that we have made the right long-term choices.

Bouygues Construction had a particularly bright year in terms of both the order book and profit.

Bouygues Immobilier again improved its margins and reported remarkably vigorous sales on the housing market.

Colas, the world's leader in roadworks, once again had a record year, further consolidating its already strong positions on international markets.

TF1 maintained its undisputed position as France's top general-interest TV channel, borne out by audience

cellent year

figures. Despite tough conditions on the advertising market it returned a solid performance in terms of both profit and sales. Following the draft agreement on the future of TPS, TF1 is refocusing on its core business as a content provider.

Ten years after its commercial launch, Bouygues Telecom passed the milestone of eight million customers, including 1.4 million for i-mode™. Our strategic options for broadband have proved to be the most appropriate: first Edge, then second-generation UMTS (HSDPA). As a result, in 2005 we were able to offer a high-speed i-mode™ service combining nationwide coverage with high-quality service at prices that everyone can afford.

Continuing its proactive policy of encouraging employee savings, Bouygues successfully carried out another capital increase reserved for employees. On completion of the operation, employees had become Bouygues' second largest shareholder group with 13.3% of the capital and 17.5% of the voting rights.

The ordinary dividend is up 20%. The Board will ask the AGM on 27 April 2006 to distribute a dividend of 0.90 euro per share.

We have a strong corporate culture, which aims to satisfy customers and is based on respect for people and the environment. Taking the long-term view, it is expressed in entrepreneurial behaviour that is responsible in its commitments, creative in its proposals and prudent in its choices. That attitude has now been intensified, coordinated and given formal expression in our sustainable development policy.

Bright prospects for 2006 mean that we can look forward to recruiting 14,000 new staff during the year, including 8,000 in France. I should like to thank our shareholders for their confidence and all the Group's employees for their work, their enthusiasm and their spirit. They are the real source of the Group's present and future success.

28 February 2006

Martin Bouygues
Chairman and CEO

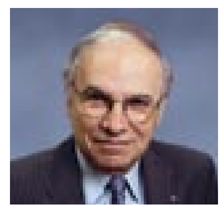
MANAGEMENT TEAM

Bouygues parent company

Olivier Poupart-Lafarge
Deputy CEO

Martin Bouygues
Chairman and CEO

Olivier Bouygues
Deputy CEO



Alain Pouyat
Executive VP,
Information Systems
and New Technologies

Jean-Claude Tostivin
Senior VP,
Human Resources
and Administration

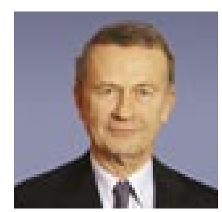
Lionel Verdouck
Senior VP,
Cash Management
and Finance

Jean-François Guillemin
Corporate Secretary

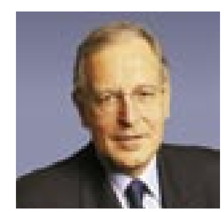
Heads of the five business areas

Yves Gabriel
Chairman and CEO,
Bouygues Construction

François Bertière
Chairman and CEO,
Bouygues Immobilier



Alain Dupont
Chairman and CEO,
Colas



Patrick Le Lay
Chairman and CEO,
TF1

Philippe Montagner
Chairman and CEO,
Bouygues Telecom

SIMPLIFIED GROUP ORGANISATION CHART at 15 February 2006

BOARD OF DIRECTORS

Chairman and CEO

Martin Bouygues

Executive Directors

Olivier Poupart-Lafarge
Deputy CEO

Olivier Bouygues
Deputy CEO and standing representative of SCDM, Director

Directors

Pierre Barberis
Deputy CEO, Oberthur

Patricia Barbizet
CEO and Director, Artémis

Madame Francis Bouygues

Georges Chodron de Courcel
Deputy CEO, BNP Paribas

Charles de Croisset
Vice-Chairman, Goldman Sachs Europe

Michel Derbesse

Lucien Douroux
Chairman and Director, Banque de Gestion Privée Indosuez

Alain Dupont
Chairman and CEO, Colas SA

Yves Gabriel
Chairman and CEO, Bouygues Construction

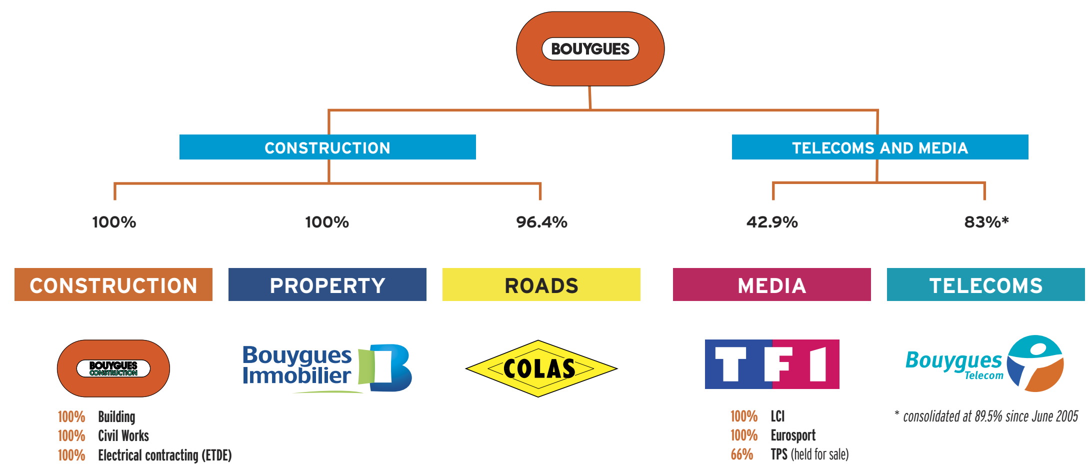
Patrick Le Lay
Chairman and CEO, TF1

Jean Peyrelevade
Vice-Chairman, Quadrature

François-Henri Pinault
Chairman and CEO, PPR

Alain Pouyat
Executive Vice-President, Information Systems and New Technologies, Bouygues

Michel Rouger
Former Presiding Judge of Paris Commercial Court



Representatives of employee mutual funds

Jean-Michel Gras

Thierry Jourdaine

Non-voting supervisor

Philippe Montagner

BOARD COMMITTEES

Accounts committee

Michel Rouger (Chairman)

Patricia Barbizet

Georges Chodron de Courcel

Charles de Croisset

Selection committee

Jean Peyrelevade (Chairman)

François-Henri Pinault

Remuneration committee

Pierre Barberis (Chairman)

Patricia Barbizet

Ethics and sponsorship committee

Lucien Douroux (Chairman)

Michel Derbesse

François-Henri Pinault

BOUYGUES AND ITS SHAREHOLDERS

More than 35 years after its first listing on the Paris Stock Exchange, Bouygues continues to be one of the leading stocks in the market, as demonstrated by its inclusion in the CAC 40 index. We have always involved our shareholders in our numerous value-creating initiatives, combining a responsible attitude with an entrepreneurial spirit.

Communicating with our shareholders

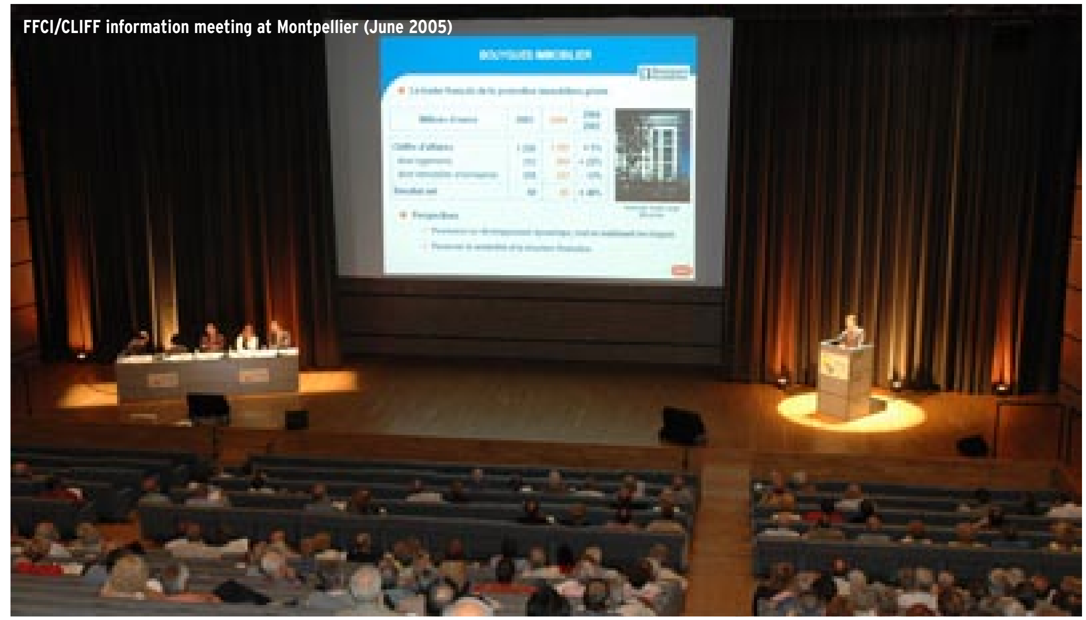
We are committed to ensuring that all our institutional and individual shareholders can always have easy access to full and transparent financial information.

Financial releases

- Our financial releases (including sales and earnings figures, and announcements of major financial transactions) are distributed widely and immediately in France and around the world, by different information networks via press agencies and the internet. In 2005, we published 15 financial releases.
- This information is also published in notices placed in leading French and international financial, economic and investment press. In 2005, 14 newspapers and magazines published these notices.

In the interests of transparency and equal access to information, our website www.bouygues.com provides shareholders with detailed, constantly-updated material on Bouygues, including key performance indicators and information about our management, businesses and values.

All press releases issued by the Group and its businesses are available on the site, along with all other documents of interest to shareholders such as annual reports, full financial statements for the last six years, and documents relating to the Annual General Meeting. All presentations made to equity and bond investors can be viewed on the site. Separate sections are devoted to specific issues including corporate governance, IFRS, Standard & Poor's credit rating and sustainable development.



FFCI/CLIFF information meeting at Montpellier (June 2005)

The website includes a section specifically targeted at individual shareholders containing more accessible and user-friendly information and a frequently asked questions page. Live and recorded webcasts of major earnings presentations are also carried on the site.

Shareholders can contact us directly via two dedicated e-mail addresses: investors@bouygues.com and service.titres.actionnaires@bouygues.com

Publications

We regularly send shareholders our most important publications: the abridged annual report, the Annual Report, and our in-house magazine *Le Minorange*.

Results announcements

- In line with our commitment to providing transparent financial information on a regular basis, we publish quarterly results. This policy enables our shareholders and the broader financial community to monitor the performance of the Bouygues Group and its component businesses all year round.
- Detailed financial statements for the Group, the Bouygues SA parent company, and the Group's five businesses are published twice a year.

Meeting investors

Our senior management arranges regular meetings with our shareholders and with the broader financial community, in order to establish and foster genuine dialogue.

- Three major meetings are held each year. Two of these coincide with the announcement of our annual and first-half results, and the third is our Annual General Meeting, held at Challenger in Saint-Quentin-en-Yvelines near Paris. The publication of our quarterly results is accompanied by conference calls for institutional investors and financial analysts.

- On 7 June 2005, we went on the road to meet our individual shareholders, at a meeting held in Montpellier with the support of the FFCI (the French Federation of Investment Clubs) and CLIFF (the French Association of Investor Relations Professionals). The next such meeting is scheduled for 9 October 2006 in Marseille.
- Over 300 contacts a year between Bouygues and investors and analysts from France and abroad help maintain a constant dialogue. Outside France, our roadshows give major international investors the opportunity to meet Bouygues management and raise our worldwide profile. During 2005, we held twelve roadshows, meeting investors in the United Kingdom, the United States, Germany, Japan, Switzerland, Scandinavia, Italy, the Netherlands and Belgium, etc.
- We also take part in sector conferences attended by major telecommunications companies, aimed at French and international institutional investors.

2006 diary dates

- **27 April 2006:** Annual General Meeting
- **3 May 2006:** Dividend payment
- **11 May 2006:** 2006 first-quarter sales
- **8 June 2006:** 2006 first-quarter earnings
- **10 August 2006:** 2006 first-half sales
- **6 September 2006:** 2006 first-half earnings
- **9 October 2006:** FFCI/CLIFF shareholder information meeting, Marseille
- **9 November 2006:** 2006 9-month sales
- **7 December 2006:** 2006 9-month earnings

- During 2005, coverage of our stock by financial analysts increased further. Currently, 18 brokers in France and abroad are actively following the company, compared with 15 at end 2004. Of these, 10 had Buy recommendations on the share, against 8 at end 2004.

Registered share service

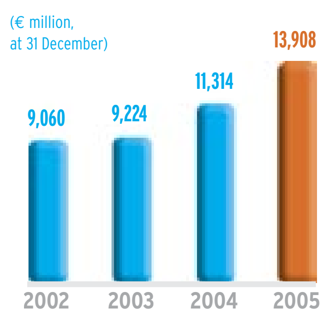
Since 1990, we have provided a free registered share service, which maintains accounts for holders of pure registered shares. Investors who choose to hold shares in this form receive regular information from Bouygues and have direct access to the company; they also enjoy double voting rights once their shares have been held in registered form for more than two years. Shareholders wishing to hold their shares as pure registered shares should send their request directly to their financial intermediary.

Registered Share Account Department contact details:

- Tel.: +33 (0)1 30 60 35 82
  +33 (0)1 30 60 32 64
- Toll-free (from fixed lines in France): 0805 120 007
- e-mail: service.titres.actionnaires@bouygues.com

Creating value

Market capitalisation, 2002 to 2005



At end 2005, Bouygues had a market capitalisation of €13.9 billion, 23% higher than at the end of 2004. Because the number of shares outstanding was virtually unchanged, this performance was due primarily to the increased share price. At 31 December 2005, Bouygues ranked 24th in the CAC 40 index by market capitalisation.

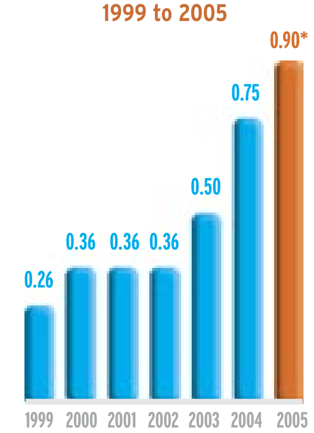
Exceptional payout

On 7 January 2005, Bouygues made an exceptional payout of €5 per share, as proposed by the Board of Directors in July 2004. The total amount paid out to shareholders was €1.7 billion, equivalent to 15% of the company's market capitalisation at that time. This payout rewarded our shareholders after several years of heavy investment in growth businesses with rising profitability (Bouygues Telecom, Colas).

Ordinary dividend

Every year since 2003, we have increased the dividend paid out to our shareholders, with dividend growth close to the rate of growth in recurring net profits. In March 2006, the Board of Directors decided to ask the Annual General Meeting to approve a substantially higher dividend for 2005; the proposed dividend of €0.90 per share represents a 20% increase on the 2004 dividend of €0.75. This dividend reflects our commitment to increase ordinary dividends and shareholder returns over the long term. Excluding the exceptional payout, the dividend-to-earnings ratio for 2005 is 36%.

Net dividend per share, 1999 to 2005



** to be proposed at the AGM on 27 April 2006*

Share buybacks

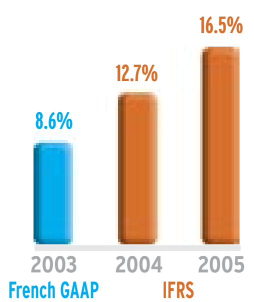
Since 2002, Bouygues has had a policy of buying back its own shares on the market in order to optimise return on equity and compensate for the dilutive effect of newly-issued shares. During 2005, Bouygues cancelled 8.4 million shares (2.5% of the share capital as at 31 December 2005) to reduce the dilutive effect of the new shares issued in connection with the *Bouygues Confiance 3* employee share ownership plan launched at end 2005 and on the exercise of stock options.

BOUYGUES AND ITS SHAREHOLDERS

ROCE (Return on Capital Employed)

One way to measure the value created by a business is to compare the return generated by the capital employed in the business (equity contributed by the shareholders and debt provided by banks) with the cost of that capital.

In 2005, the Bouygues Group achieved ROCE of 16.5%, significantly higher than 2004. The Group's ROCE is clearly superior to the weighted average cost of capital.

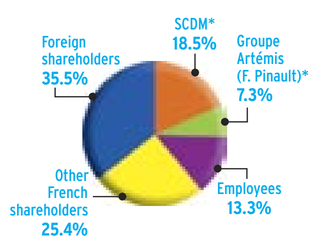


ROCE = (current operating profit after tax + share of profits and losses of associates) ÷ average capital employed (shareholders' equity + debt).

Share ownership at 15 February 2006

- Since the end of 2004, there have been four main changes in the share ownership structure of Bouygues SA. SCDM, a company controlled by Martin and Olivier Bouygues, raised its interest by 1.5 percentage points. The Artemis group (F. Pinault) reduced its interest slightly by 0.5 of a point. Following the capital increase made in connection with the *Bouygues Confiance 3* employee share ownership plan, the employees own 13.3% of the capital, compared with 11.5% at end 2004. Finally, the percentage interest held by non-French shareholders increased significantly, reflecting the higher profile of Bouygues among international investors.

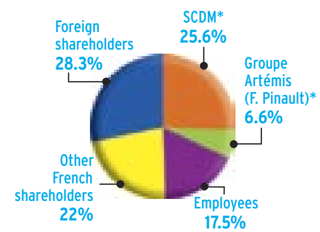
Share ownership at 15 February 2006



Number of shares: 337,150,519

** SCDM is a company controlled by Olivier and Martin Bouygues. SCDM and the Artémis group are bound by a shareholder agreement.*

Voting rights at 15 February 2006



Number of voting rights: 423,787,714

** SCDM is a company controlled by Olivier and Martin Bouygues. SCDM and the Artémis group are bound by a shareholder agreement.*

- The difference between percentage ownership and voting rights is due to the fact that all investors who hold their shares in registered form for more than two years are given double voting rights.

Share price since the beginning of 2005

During 2005, the Bouygues share price showed a nominal increase of 21%, in line with the CAC 40 (up 23%). However, on 7 January 2005 the exceptional payout of €5 per share led to an automatic correction of €5 in the share price as the share went ex-coupon. Since then, the share price has done far more than simply reverse this correction, rising to €44.8 on 16 February 2006. The adjusted share price (with reinvestment of the exceptional payout) is the true indicator of the market performance enjoyed by our shareholders. On this basis, Bouygues shares rose by 42% in 2005, the 9th best performance in the CAC 40.

Share price performance in 2005

Bouygues share factsheet

- Listing: Eurolist of Euronext (compartment A)
- ISIN code: FR0000120503
- Identification codes: Bloomberg: ENFP, Reuters: BOUY.PA
- Par value: €1
- Indices: CAC 40, Euronext 100, FTSE Eurofirst 80 and Dow Jones Stoxx 600
- Sector classification:
  - MSCI/S&P indices: Telecommunication services
  - FTSE and Dow Jones indices: Construction & Materials
- Eligible for deferred settlement service ("SRD") and French equity savings plans ("PEAs")

Contact

Anthony Mellor
Investor Relations Director
Tel. +33 (0)1 30 60 22 77
Fax: +33 (0)1 30 60 31 40
Address: Challenger
1 avenue Eugène Freyssinet
78061 St-Quentin-en-Yvelines cedex
France
e-mail: investors@bouygues.com

KEY FIGURES

FINANCIAL HIGHLIGHTS

(€ million) – IFRS	2004	2005	2005/2004
Sales	20,894	24,073	+15%
of which international	*5,989*	*7,127*	*+19%*
EBITDA[1]	2,943	3,505	+19%
Current operating profit	1,557	1,852	+19%
Operating profit	1,557	1,748	+12%
Net profit attributable to the Group	909	832	- 8%
Recurring net profit[2]	700	832	+19%
Return on capital employed (ROCE)	12.7%	16.5%	+3.8 pts
Cash flow	2,714	3,090	+14%
Free cash flow[3]	1,007	1,104	+10%
Shareholders' equity (period-end)	4,978	5,561	+12%
Net debt (period-end)	1,875	2,352	+25%
Gearing (period-end)	50%	42%	-8 pts
Market capitalisation (period-end)	11,314	13,908	+23%
Net dividend	0.75	0.90[4]	+20%
Number of employees	113,334	115,441	+2%

As TPS was held for sale at end December 2005, only its share of net profit was booked in 2004 and 2005.

(1) current operating profit plus net depreciation and amortisation expense and net increases in provisions
(2) recurring net income before exceptional transactions (e.g. gain on sale of Saur in 2004)
(3) cash flow minus cost of net debt minus tax and minus net capital expenditure
(4) to be proposed to the Annual General Meeting of 27 April 2006

2005 was another excellent year for the Bouygues group both in terms of sales and profit. Its construction businesses performed strongly and recorded a sharp increase in orders booked.

Steep rise in profitability
Full-year 2005 sales amounted to €24.1 billion, up 15% on 2004. Current operating profit climbed 19%. Recurring net profit stood at €832 million, 19% higher than 2004. Return on capital employed was 16.5%, compared with 12.7% in 2004.

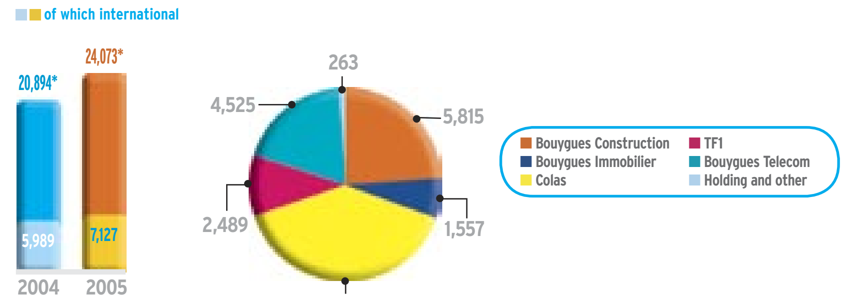
A solid financial structure
Net debt amounted to €2,352 million at 31 December 2005, giving a debt-to-equity ratio of 42%.

Standard & Poor's maintained its credit rating for Bouygues: A- with stable outlook.

Cash flow rose by 14% to €3,090 million and free cash flow by 10% to €1,104 million.

SALES: €24.1 billion (up 15%)

(€ million - IFRS)



** excluding TPS, held for sale at end 2005*

Contribution to the Bouygues Group

Bouygues group. Consolidated sales for 2005 were 15% up on the previous year. This figure factors in mobile-to-mobile billing between GSM operators, effective from 1 January 2005. For comparability, 2004 sales have been increased to reflect mobile-to-mobile billing as adjusted to 2004 call termination rates. On this basis, sales were 11% higher.

Bouygues Construction. Sales rose by 13% in France and by 9% on international markets, with continued strong growth in the electrical contracting and maintenance business (ETDE), which hit the €1 billion euro mark.

Bouygues Immobilier. The 20% increase in sales was due to the start of building work on a large number of housing units reserved in 2004 and the dynamic corporate and commercial property sector in Spain and Portugal.

Colas. Sales showed robust growth (19%), especially outside France and more particularly in Central Europe. Like-for-like and at constant exchange rates, sales rose by 11% overall, including 7% in France and 16% on international markets.

TF1. Sales were stable. The channel's net advertising revenues were virtually unchanged from 2004, resulting from a rise of 3% in the fourth quarter, while full-year sales from other activities grew by 0.6%.

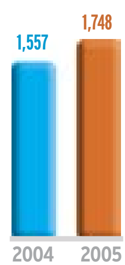
Bouygues Telecom. In 2005, the mobile telephony business posted net sales from network of €4,240 million, up 27% due primarily to mobile-to-mobile billing, effective from 1 January 2005. Had the system been in place in 2004 (billing estimated using the 2004 call termination rate), the increase in net sales from network would have been 4%.

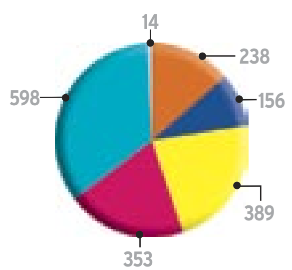
Holding and other. Saur activities retained by Bouygues represented sales of €245 million at end-2005, down slightly on the same period in 2004.

KEY FIGURES

OPERATING PROFIT: €1,748 million (up 12%)

(€ million - IFRS)





Contribution to the Bouygues Group

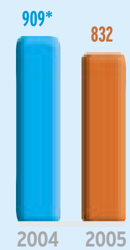
Bouygues Construction, TF1, Bouygues Immobilier, Bouygues Telecom, Colas, Holding and other

Operating profit advanced broadly in line with sales during 2005.

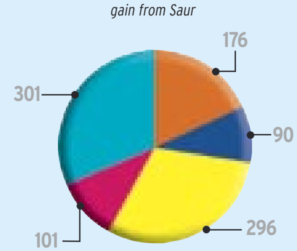
The Construction businesses achieved a further improvement in operating margin in 2005.

NET PROFIT ATTRIBUTABLE TO THE GROUP: €832 million (down 8%)

(€ million - IFRS)



* *including €209m capital gain from Saur*

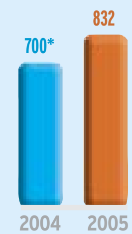


Net loss from holding and other: -€132m

Contribution to the Bouygues Group

Bouygues Construction, TF1, Bouygues Immobilier, Bouygues Telecom, Colas

RECURRING NET PROFIT: €832 million (up 19%)

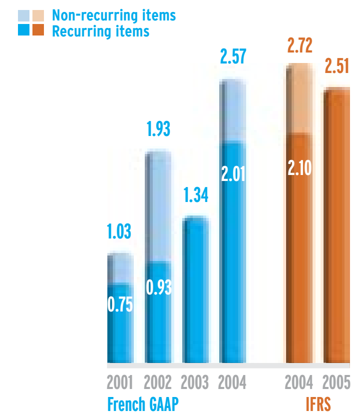


* *excluding capital gain from Saur*

Net profit attributable to the Group in 2005 does not include non-recurring items. It is 8% lower than the figure for 2004, which factored in the €209 million gain on the disposal of Saur. Excluding this capital gain, net profit rose by 19%.

The contribution of all business areas to Group net profit grew.

RECURRING EARNINGS PER SHARE: €2.51 (up 20%)

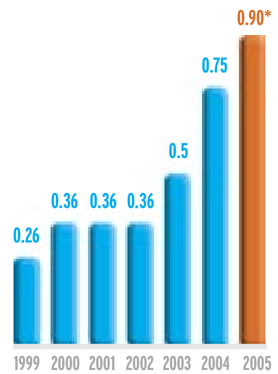


Over the last four years, recurring earnings per share has increased 3.3 times.

Earnings per share for 2005 was €2.51. Based on recurring net earnings (excluding the gain on Saur in 2004), this represents a year-on-year increase of 20%.

At 31 December 2005, a total of 336,762,896 million shares and investment certificates were in issue, slightly more than at 31 December 2004 (332,758,624).

NET DIVIDEND PER SHARE: €0.90 (up 20%)



* to be proposed at the AGM on 27 April 2006

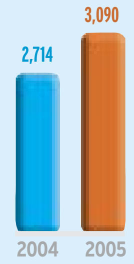
Once again, Bouygues increased the dividend payout to its shareholders in 2005. Based on the good results achieved by the Group during the year and a fine outlook, Bouygues is able to propose a further substantial increase in the dividend, which if approved will mean that dividends will have virtually doubled in two years.

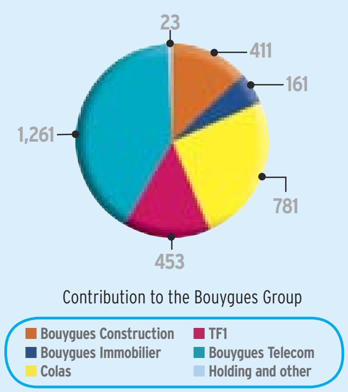
The Board of Directors is asking the Annual General Meeting of 27 April 2006 to approve a dividend of €0.90 per share, representing an increase of 20%, in line with the growth in recurring net profit. This dividend will be paid on 3 May 2006.

The exceptional payout of €5 per share announced in July 2004 was made on 7 January 2005, representing a total of €1.7 billion, equivalent to 15% of the market capitalisation at that time. This payout enabled our shareholders to share the excellent results achieved following the investments made by the Group since 1999.

CASH FLOW: €3,090 million (up 14%)

(€ million - IFRS)





Virtually all our businesses recorded a further increase in cash flow during 2005, reflecting their strong positions in buoyant markets.

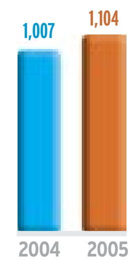
Overall, cash flow rose by 14%, giving Bouygues substantial capacity to fund future development.

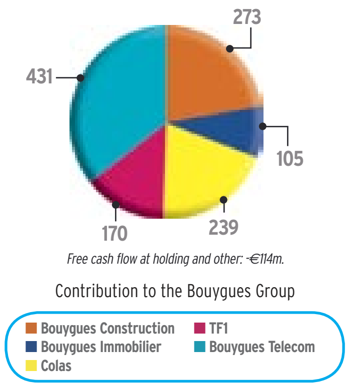
NET OPERATING INVESTMENT: €1,229 million (up 17%)

€ million - IFRS	2004	2005
Bouygues Construction	73	56
Bouygues Immobilier	4	4
Colas	348	411
TF1	79	155
Bouygues Telecom	502	584
Bouygues SA and other	41	19
TOTAL	**1,047**	**1,229**

FREE CASH FLOW: €1,104 million (up 10%)

(€ million - IFRS)





Free cash flow represents the ability of the Group to generate surplus cash after financing the cost of debt, income taxes, and net capital expenditure.

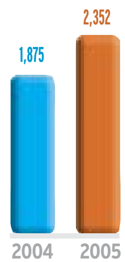
Bouygues generated cash flow of €3,090m in 2005.

After deducting the cost of net debt (€187m), income tax expense for the year (€570m) and net capital expenditure (€1,229m), free cash flow was €1,104m.

KEY FIGURES

NET DEBT: €2,352 million (up 25%)

(€ million - IFRS)



At the start of 2005, Bouygues recorded a cash outflow of €1.7bn due to the exceptional payout, and a cash inflow of €1bn due to the sale of Saur.

Bouygues' financial position remained healthy at end 2005, with net debt standing at €2.4bn, or 42% of equity. This debt figure includes a liability of €460m relating to the reciprocal call and put options exchanged with BNP Paribas relating to its 6.5% interest in Bouygues Telecom, and excludes debt carried by TPS which is held for sale.

Bouygues Telecom and TF1 reported net debt of €441m and €351m respectively. The other businesses reported cash surpluses: €1,874m for Bouygues Construction, €415m for Colas, and €150m for Bouygues Immobilier. Debt carried by Bouygues SA and other activities amounted to €3,999m.

In view of this robust financial position, with an evenly spread debt maturity profile and excellent liquidity, Standard & Poor's has maintained Bouygues' A- rating with stable outlook.

ROCE (Return on Capital Employed)(1):

	2003 French GAAP	2004 IFRS	2005 IFRS
Group level			
Bouygues Group	8.6%	12.7%	16.5%
Business level			
Bouygues Construction	+++ (2)	+++ (2)	+++ (2)
Bouygues Immobilier	+++ (3)	+++(3)	+++(3)
Colas	22.8%	26.8%	34.6%
TF1	16.0%	17.9%	15.5%
Bouygues Telecom	8.5%	12.3%	15.4%

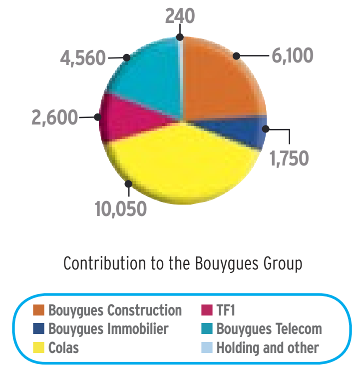
(1) current operating profit after tax and share of profits/losses of associates divided by average capital employed (equity + debt)
(2) ROCE is not meaningful for Bouygues Construction because its activities generate high levels of surplus cash. One of the key strengths of this business is its ability to grow without tying up capital.
(3) Bouygues Immobilier has a very high cash surplus, because Bouygues Immobilier has for some years been generating exceptionally high cash flows because of favourable economic conditions.

The Bouygues Group achieved a substantial improvement in ROCE during 2005, from 12.7% to 16.5%. In the two years since 2003, ROCE has virtually doubled.

The current level of ROCE is significantly higher than the weighted average cost of capital.

2006 SALES TARGET €25,300 million (up 5%)

(€ million - IFRS)

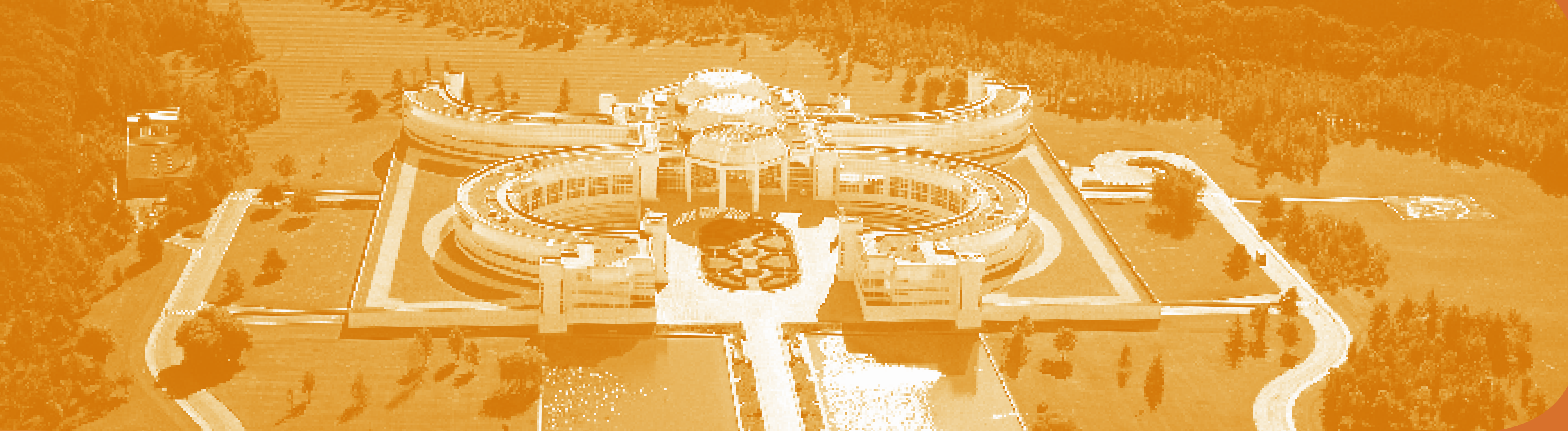


Contribution to the Bouygues Group

In 2006, Group sales are expected to hit €25.3 billion, up 5% on 2005 (6% in France and 4% on international markets).

Construction businesses should continue to thrive and are likely to show a rise of 5% at Bouygues Construction, 12% at Bouygues Immobilier and 7% at Colas.

Sales should grow by 4% at TF1 and by a modest 1% at Bouygues Telecom due to a reduction in incoming rates.



Business activities


The port of Tangier in Morocco

FULL-SERVICE CONTR

Bouygues Construction is one of the world's leading construction companies, offering customers comprehensive building, civil works and electrical contracting skills and services ranging from project design to maintenance. It combines the strength of a large group with the responsiveness of a network of smaller contracting businesses.

Highlights

New concessions
- A41 motorway (€500m).
- Cyprus airports (€500m).
- Gautrain, the Pretoria-Johannesburg rail link in South Africa (€500m).

Major new contracts
- T1 tower at La Défense, in France (€97m).
- Renault logistics platform at Sens in France (€77m).
- Olkiluoto EPR nuclear power station in Finland (€170m).
- Hotel and office complex in Trinidad & Tobago (€165m).

Projects under construction
- Lok Ma Chau tunnel in Hong Kong (€290m).
- Port of Tangier in Morocco (€170m).

Projects delivered
- A28 motorway in France (€658m).
- Hong Kong Exhibition Centre (€245m).
- UK Home Office (€325m).

Sales 2005
€6,131m
(+11%)

Operating profit
€238m
(+42%)

Net profit (Group share)
€175m
(+25%)

Employees
38,500

Sales target 2006
€6,450m
(+5%)

IFRS

Excellent commercial and financial performance

Record level of orders booked: €6,510 million

In favourable economic conditions, Bouygues Construction achieved some notable commercial successes in 2005. Orders booked in France amounted to €3,958 million, €933 million more than in 2004, while orders on international markets increased by €459 million to €2,552 million.

Orders overtook sales in 2005, a performance all the more remarkable in that it does not include three major contracts won in 2005 but awaiting finalisation at year-end: the A41 motorway (€500m), the Cyprus airports (€500m) and the Gautrain rail link between Pretoria and Johannesburg in South Africa (€500m).

Rising sales: €6,131 million

With an 11% increase in sales, Bouygues Construction turned in an excellent performance boosted by delivery of the A28 motorway in France, the Home Office headquarters in the UK and AsiaWorld Expo in Hong Kong.

On a buoyant French market, sales rose by 13% to €3,653 million.

Sales outside France rose by 9% to €2,478 million.

Strong growth at ETDE was a contributing factor to a robust sales performance: for the first time in its history, ETDE's sales broke the billion euro barrier. A policy of external growth since 2001 and a dynamic sales force have enabled ETDE to double its sales in three years.

BOUYGUES CONSTRUCTION

> Excellent commercial and financial performance in 2005

A sharp increase in net profit: €175 million (+25%)

Higher earnings are due in particular to the Vision & Performance project, which has brought major changes to Bouygues Construction's organisation and operating methods since 2003.

The net margin rose from 2.5% in 2004 to 2.9% in 2005. The net profit figure in 2004 included non-recurring income of €37 million.

A record cash surplus

The net cash surplus reached a record €1,874 million, €351 million more than in 2004.

Cash flow rose by 41% to €410 million, reflecting the improvement in the company's margins.

Bouygues Construction pursued an active development policy in 2005, with a net capital outlay (cash flow) of €148 million.

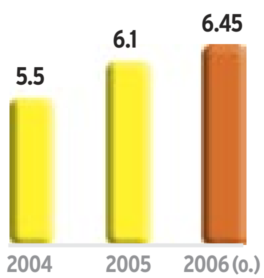
Bouygues Construction's available cash is a major asset in controlling construction risks, giving the group the capacity to pursue its development policy.

Priorities for growth in high value-added activities

Bouygues Construction has continued to pursue its development strategy, focusing on four priorities for growth.

Sales

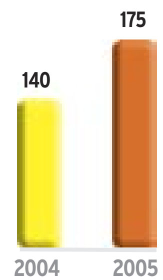
€bn



(o.) : objective

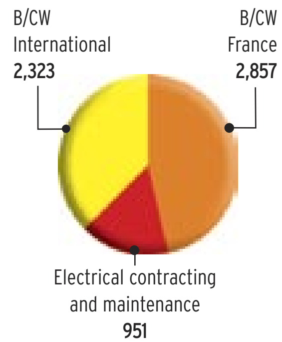
Net profit (Group share)

€m



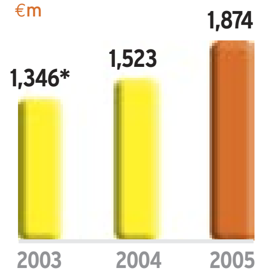
Sales by business segment

€m



Net cash

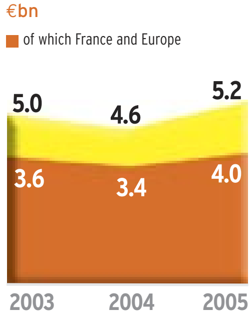
€m



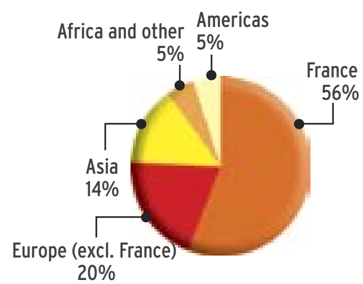
** French GAAP*

Order book

€bn



Order book by geographical area



IFRS

CONSOLIDATED BALANCE SHEET AT 31 DECEMBER

ASSETS (€m - IFRS)	2004	2005
• Tangible and intangible fixed assets	296	265
• Goodwill	145	175
• Non-current financial assets	170	218
NON-CURRENT ASSETS	611	658
• Current assets	1,972	2,255
• Cash and equivalents	1,773	2,074
• Financial instruments (debt-related)	-	-
CURRENT ASSETS	3,745	4,329
TOTAL ASSETS	4,356	4,987
LIABILITIES (€m - IFRS)		
• Shareholders' equity attributable to the Group	302	414
• Minority interests	3	4
SHAREHOLDERS' EQUITY	305	418
• Long-term debt	134	122
• Non-current provisions	437	519
• Other non-current liabilities	1	1
NON-CURRENT LIABILITIES	572	642
• Debt (amount due within one year)	24	4
• Current liabilities	3,363	3,849
• Short-term bank borrowings and overdrafts	92	74
• Financial instruments (debt-related)	-	-
CURRENT LIABILITIES	3,479	3,927
TOTAL LIABILITIES	4,356	4,987
NET DEBT	(1,523)	(1,874)

CONSOLIDATED INCOME STATEMENT

(€m - IFRS)	2004	2005
SALES	5,512	6,131
CURRENT OPERATING PROFIT	168	249
• Other operating income and expenses	-	(11)
OPERATING PROFIT	168	238
• Income from net debt	26	32
• Other financial income and expenses	2	1
• Income tax expense	(59)	(114)
• Share of profits and losses of associates	3	19
NET PROFIT BEFORE DISCONTINUED OR HELD-FOR-SALE OPERATIONS	140	176
• Net profit of discontinued or held-for-sale operations	-	-
TOTAL NET PROFIT	140	176
• Minority interests	-	1
CONSOLIDATED NET PROFIT ATTRIBUTABLE TO THE GROUP	140	175


T1 tower, Paris La Défense

Electrical contracting and maintenance

Growth in the electrical contracting and maintenance sector helps Bouygues Construction to consolidate its activities with complementary life cycles and to boost profitability. ETDE is pursuing two main objectives: to complete nationwide coverage and to acquire new technical skills. ETDE achieved organic growth of 14% in 2005, while acquisitions brought in additional sales of €173 million.

Public-private partnerships

Bouygues Construction aims to stake out a significant position on the buoyant market for public-private partnerships (PPP) in France, meeting needs for infrastructure such as hospitals, prisons, schools and street lighting. It has already won its first PPP contracts, including the construction and maintenance for 25 years of a Women, Children and Haematology unit at the teaching hospital in Caen, a logistics hub for a hospital in Douai and a street lighting maintenance contract at Auvers-sur-Oise. The group has created Challenger Investissements so as to provide local authorities and public institutions with fast-track, competitive PPP solutions for medium-sized investments.

As well as taking an interest in social housing projects in the United Kingdom, Bouygues Construction won its first street lighting contract under a PFI and expects to finalise a number of other projects in 2006, including Broomfield Hospital, worth £220m, and a school in Lewisham, worth £70m. Having delivered AsiaWorld Expo, Bouygues Construction is now beginning to operate the 130,000 m^2 international exhibition centre in Hong Kong.

Property development

This high value-added line of business involves providing customers with turnkey projects on the best possible terms, whether legal, financial or administrative. It accounts for a growing share of the group's business. Quille and DV Construction have won a contract to build a logistics platform for Renault at Sens. Losinger has concluded a number of contracts in Switzerland, including the One Roof project involving construction of 30,000 m^2 of office space. Bouygues Bâtiment International has

also strengthened its positions in the segment.
The creation of AdValys, an asset management firm, will enable the group to offer property investors opportunities to invest in all types of property asset in France and Europe. AdValys will also track and manage the assets until disposal of the investment.

Transport infrastructure concessions

Bouygues Construction aims to get involved as far upstream as possible in order to create projects that combine financing, construction, operation and maintenance. It won three major concession contracts in 2005: the A41 motorway in France, the Cyprus airports and the Gautrain project in South Africa.

The three projects will be finalised and work will start in 2006.

Bouygues Construction's Concessions division had an excellent year in 2005, boosted by the opening of the A28 motorway at the end of the year.

Building and Civil Works

Sales at the Building and Civil Works division rose by 7% to €5,144 million in 2005. France accounted for €2,857 million, 56% of the total, and international markets for €2,287 million (44%).

France

The construction market in France held firm in 2005. 410,000 new housing starts were recorded, a 25-year high, and the market for industrial buildings and offices was stable, with authorisations on the rise. Demand for public buildings remained steady.

The French construction industry has two distinctive features: a dense network of regional players with solid positions on local markets and three majors, Bouygues, Vinci and Eiffage. The market leader in the Paris region, Bouygues Construction is also one of the top four construction firms in each of the five main French regions.

Bouygues Bâtiment Île-de-France had an excellent year, recording a 7% rise in sales to €1,166 million and delivering several prestige projects.

The €64m Actualis development comprises 16,000 m^2 of office space, 5,000 m^2 of retail space, apartments and a car park. 96 boulevard Haussmann, a €54m, 23,000 m^2 development owned by Calyon, will house a business centre, apartments, shops and a day nursery for the City of Paris. The new €49m museum at quai Branly, devoted to the arts and civilisations of Africa, Asia, Oceania and the Americas, comprises four buildings with a total surface area of 57,000 m^2. Bouygues Bâtiment Île-de-France won two other major projects in 2005: the €68m Porte des Poissonniers development for the City of Paris, and the €97m T1 tower, a 38-floor, 70,000 m^2 office block in Courbevoie.

The regional subsidiaries of **Bouygues Entreprises France-Europe** operate on both building and civil engineering markets. They reported a strong 13% rise in sales to €1,291 million, mostly attributable to the growing proportion of large-scale projects and property development contracts. The A28 motorway (€670m), built by Bouygues Travaux Publics, DTP Terrassement and Quille, was delivered five weeks ahead of schedule. Bouygues Entreprises France-Europe won contracts to renovate and build hospitals at Caen, Douai and Vesoul and a €77m contract to build a logistics platform for Renault at Sens. The project involves the construction of four buildings with a surface area of 156,000 m^2 extendable to 200,000 m^2 for the storage and shipment of spare parts and accessories.

Bouygues Travaux Publics reported sales of €277 million in France in 2005, the same level as in 2004. The year's main projects were completion of the A28 motorway and a €46m contract to renovate the 7 km Maurice Lemaire tunnel in the Vosges (eastern France). Bouygues Travaux Publics won a €500m concession for the A41 motorway in partnership with GFC Construction, DTP Terrassement, Losinger Construction, Colas, SETEC, Caisse d'Epargne et de Prévoyance des Alpes and Area. The 19 km motorway through the mountains will link Geneva and Annecy. Bouygues Travaux Publics is continuing to increase the proportion of international business in its sales mix.

Actualis, Paris

DTP Terrassement reported sales of €109 million in France in 2005, compared with €140 million in 2004. The fall is mainly due to the end of major work on the A28 motorway. However, with earthworks for the Grands Goulets tunnel starting in 2005 and for the A41 motorway in 2006, the medium-term outlook for DTP Terrassement is secure.

International

Internationally, Bouygues Construction operates through local subsidiaries or consortia formed for specific projects.

According to the annual survey conducted by the magazine *Engineering News Record* in December 2005, the top 225 international construction firms generated sales of €123 billion (USD 168 million) outside their home markets in 2004, an increase of 20% in dollar terms (stable in euro terms) in relation to 2003.

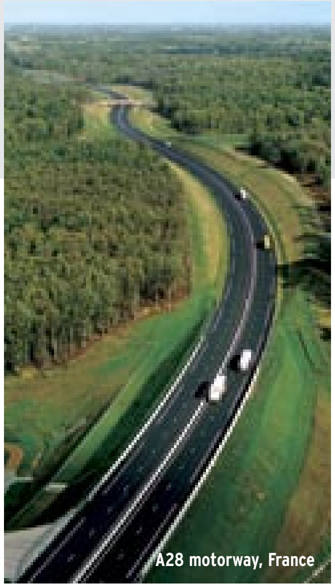
The A41 motorway will link Geneva and Annecy

Competition is fierce on international markets in general and on the European market in particular, characterised by concentration among European groups, the return of American firms since 2003 and the rise of players from emerging countries.

In **Western Europe,** Bouygues UK is continuing to expand in Britain, specialising in PFI projects involving the design, financing, construction and management of infrastructure delegated by the government to the private sector, especially hospitals and schools. Deliveries in 2005 included the €325m Home Office building and the €68m Barking Schools project, a second reference in the education sector after the King's College project for London University delivered in 1999. The €110m Central Middlesex Hospital was under construction, another success that confirms Bouygues Construction's position as a prime PFI player in the UK hospital sector.

Losinger, a subsidiary of Bouygues Entreprises France-Europe, reported sales of €291 million in 2005 and can look forward to further growth following the conclusion of several substantial contracts, including the construction of two sorting centres for the Swiss post office worth €90 million.

Bouygues Bâtiment International has won a 25-year concession for the Cyprus airports (€500m of works), the group's first airport concession. Bouygues Travaux Publics also won a €170m contract from Areva and Siemens to build the Olkiluoto nuclear power station, its first major project in Finland. The company's nuclear civil engineering expertise gave it the edge over its international rivals.



A28 motorway, France

In **Eastern Europe,** a number of major projects were delivered in 2005, including phase 2 of the M5 motorway in Hungary. Growth will continue following the conclusion of major contracts in Russia, such as a €70m design-build contract for the Tax Ministry. Russia is becoming a significant growth area for the group.

Bouygues Construction also won motorway infrastructure concessions and PPP contracts, including a €56m contract for phase 3 of the M5 motorway in Hungary and a €58m contract for phase 1B3 of the Istria motorway in Croatia.

Bouygues Construction has a long-standing presence in the **Asia-Pacific** zone through its Dragages subsidiary, established in Hong Kong since 1955. Development of the New Territories is creating numerous opportunities and Dragages Hong Kong has concluded a €39m contract to build Castle Peak tunnel.

In Macau, Bouygues Bâtiment International and VSL have won a €63m contract to build the superstructure of the podium that will accommodate the future Venetian Cotai casino and a 250,000 m^2 shopping mall.

In South Korea, Bouygues Travaux Publics is continuing work on the Masan Bay bridge, a €250m project of which Bouygues Travaux Publics has a €180m share. A joint venture with Hyundai Engineering Corp., the project involves the design, financing, construction, operation and maintenance of the Masan Bay bridge under a 30-year concession. The 1,700 metre bridge is the second-longest in South Korea.

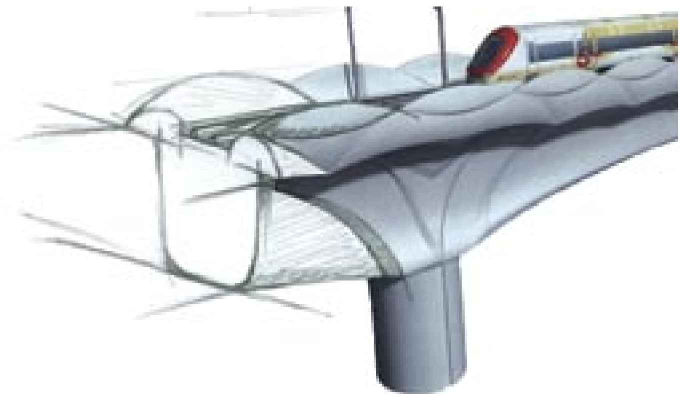
In Thailand, Bouygues Bâtiment International has taken orders for several hotels and residential buildings, including the €34m Athénée tower. It is also involved in major projects in Turkmenistan.

VSL won the biggest contract in its history for the construction of 45 km of elevated viaducts for the Dubai Metro. VSL's share of the contract, concluded with two partners, is worth €33 million.

In **South Africa,** Bouygues Travaux Publics won the €500m contract to build the Gautrain rail link between Johannesburg and Pretoria as part of a consortium including RATP, the Paris metro operator. A PPP contract, it involves the financing, design, construction, operation and maintenance of an 80 km line linking Johannesburg, Pretoria and Johannesburg International Airport. Bouygues TP reduced its stake in its South African subsidiary Basil Read from 71% to 19% at the end of 2005.

In the **Americas/Caribbean** zone, Bouygues Construction has achieved some notable commercial successes.

An example of PFI: the Home Office building in London



Gautrain link project, South Africa

Bouygues Bâtiment International has concluded the €165m Waterfront International Development contract in Trinidad and Tobago. The project includes a 150,000 m^2 development comprising a 5-star Hyatt hotel with 428 rooms on 22 floors, a conference centre, two 26-storey office buildings and a car park.

A contract to build a ninth hotel in Cuba was concluded for €39 million.

Electrical Contracting and Maintenance

ETDE has three lines of business with a substantial services component: utility networks (€476 million, 47% of sales), electrical and HVAC engineering (€276 million, 27% of sales) and facilities management (€144 million, 14% of sales). On international markets, which generated €118 million, ETDE operates alone or in tandem with other Bouygues Construction entities, as on the €30m Waterfront contract in Trinidad and Tobago.

ETDE contributed €987 million to Bouygues Construction's consolidated sales in 2005, an increase of 39% on 2004, mostly due to a strategy of external growth in place since 2001. ETDE acquired ten companies in 2005 and recorded organic growth of 14%.

France

ETDE consolidated its position in the electrical contracting and maintenance sector with the acquisition of Lignest and Snef and now also has railway signalling expertise following the acquisition of Sosiel. The acquisition of ETS (Entreprise de Téléphonie et de Signalisation) makes ETDE a significant player in the communication systems segment.

ETDE has continued to expand in the broadband business, completing the third phase of the ROSE optical security network contract for RTE. The acquisition of Axione has reinforced its broadband network engineering skills.

ETDE's electrical and HVAC engineering division has continued to expand, acquiring Métral in south-eastern France and reinforcing its HVAC capacity by acquiring Stéfal's HVAC engineering activities.

International

ETDE is also establishing itself through external growth elsewhere in Europe. In June 2005, it acquired David Webster, the UK's third largest street lighting contractor with 260 employees and annual sales of €40 million. ETDE already had a foothold in **the UK** through its facilities management subsidiary Ecovert FM. ETDE and David Webster won a PFI street lighting contract with the London borough of Lambeth worth €54 million over 25 years. The acquisition of ICEL will strengthen ETDE's presence with large industrial firms in the south-east of England.

In **Africa,** ETDE is establishing a local presence through a network of twelve fast-growing subsidiaries (sales in 2005 were 23% up on the previous year). Other contracts in **France's overseas dependencies and elsewhere** are more the result of taking advantage of opportunities as they arise, targeting large-scale projects in particular.

Olkiluoto nuclear power station in Finland

Outlook for 2006

Bouygues Construction is maintaining its growth strategy, focusing on four priorities: electrical contracting and maintenance, public-private partnerships, property development, and transport infrastructure concessions.

The company has solid positions on buoyant markets with good prospects for growth. Order books at end-2005 amounted to €5.2 billion and 63% of the 2006 sales target has already been covered.

With the finalisation of major contracts like the A41, Cyprus airports and Gautrain projects, Bouygues Construction can look forward to a further high level of activity in 2006.

96 Haussmann, Paris, inaugurated in December 2005

FRANCE'S LEADING

With 32 branch offices in France and 7 operations elsewhere in Europe, Bouygues Immobilier designs and builds residential, office and retail park projects.

Highlights

Residential

- 8,208 housing units reserved, an increase of 21%.
- Sharp rise in the regions.
- Growth in the residential segment in Europe.

Office and retail

- 157,000 m^2 of office and retail space sold: 57,000 m^2 in the Paris region (including 46,000 m^2 in Issy-les-Moulineaux), 48,000 m^2 in the regions, especially Lyon and Dijon, and 52,000 m^2 in Portugal and Spain.
- Delivery of 23,000 m^2 of refurbished office space at 96 boulevard Haussmann, Paris.

Development

- Promise to buy land for an office development at Issy-les-Moulineaux (87,000 m^2).
- Agencies opened in Amiens, Grenoble and Lorient.

Sales 2005
€1,557m
(+20%)

Operating profit
€156m
(+31%)

Net profit (Group share)
€90m
(+41%)

Employees
1,000

Sales target 2006
€1,750m
(+12%)

IFRS

The leading property developer

Bouygues Immobilier designs, builds and sells property development projects.

In order to do so, it identifies and buys land then draws up projects with architects and design firms.

It generally acts as the contracting authority for the developments, which it then sells to individual customers or investors.

In robust financial health and with a sharp 41% rise in profits, Bouygues Immobilier further increased its market share in 2005.

Reservations in 2005 amounted to €1,738 million, 12% up on the previous year, and included:

- 8,208 housing units for €1,350 million (up 26%);
- 157,000 m^2 of commercial and corporate property for €388 million (down 19%).

Sales in 2005 amounted to €1,557 million, 20% up on the previous year.

The residential segment accounted for €1,047 million (67%) of the total, a rise of 21%, and the corporate segment for €510 million (33%), a rise of 18%.

Current operating profit amounted to €156 million, representing 10% of sales, compared with 9.2% in 2004. Net profit attributable to the Group rose by 41% to €90 million.

Bouygues Immobilier has shareholders' equity of €285 million and reported a net cash surplus for the third year running.

Residential property: still a thriving market

An estimated 121,500 housing units were built on the

PROPERTY DEVELOPER

Bouygues Immobilier

› Further growth in residential property in 2005

French private residential property development market in 2005, 8% more than in 2004.

The market continued to thrive on the back of strong demand fuelled by a dearth of new housing in France over the last 20 years.

Low long-term interest rates in 2005 were another factor, compounded by sustained demand for rental property, tax incentives and a trend towards residential property as a safe investment in preparation for retirement.

In a context of buoyant demand, the average price per square metre of new residential housing rose by an estimated 11% in comparison with 2004.

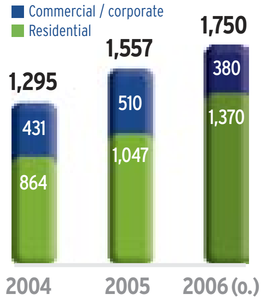
The Paris region accounts for 20% of the market and the rest of France for 80%, a proportion that has risen in recent years as a result of strong growth in demand. The market is fragmented, with little concentration among developers. The eight biggest property developers in France account for less than 40% of the market. Bouygues Immobilier's main rivals are Nexity and Kaufman and Broad.

Having sold 8,208 housing units in 2005 (up 21%), including 7,734 in France, Bouygues Immobilier consolidated its position as one of the leading developers with a market share of 6.4% and rising.

New residential properties for rental account for 60% of reservations.

Sales

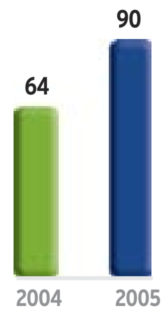
€m



(o.) : objective

Net profit (Group share)

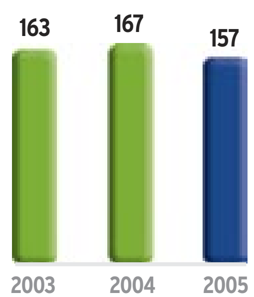
€m



IFRS

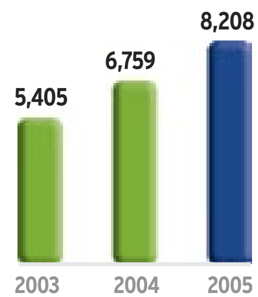
Commercial property

Reservations, thousand m²



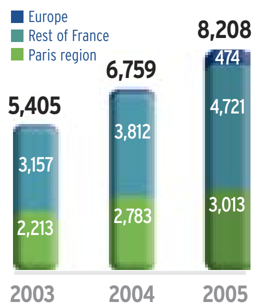
Residential property

Reservations, units



Residential property

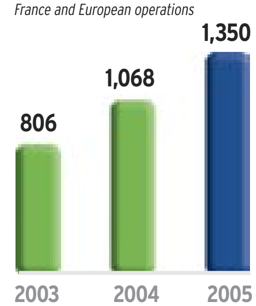
Breakdown by geographical area



Residential property

Reservations by value (€m)

France and European operations



CONSOLIDATED BALANCE SHEET AT 31 DECEMBER

ASSETS (€m - IFRS)	2004	2005
• Tangible and intangible fixed assets	45	47
• Goodwill	-	-
• Non-current financial assets	30	34
NON-CURRENT ASSETS	**75**	**81**
• Current assets	826	957
• Cash and equivalents	313	237
• Financial instruments (debt-related)	-	-
CURRENT ASSETS	**1,139**	**1,194**
TOTAL ASSETS	**1,214**	**1,275**
LIABILITIES (€m - IFRS)		
• Shareholders' equity attributable to the Group	238	284
• Minority interests	10	1
SHAREHOLDERS' EQUITY	**248**	**285**
• Long-term debt	44	72
• Non-current provisions	66	79
• Other non-current liabilities	8	5
NON-CURRENT LIABILITIES	**118**	**156**
• Debt (amount due within one year)	15	14
• Current liabilities	828	819
• Short-term bank borrowings and overdrafts	3	1
• Financial instruments (debt-related)	2	-
CURRENT LIABILITIES	**848**	**834**
TOTAL LIABILITIES	**1,214**	**1,275**
NET DEBT	**(249)**	**(150)**

CONSOLIDATED INCOME STATEMENT

(€m - IFRS)	2004	2005
SALES	**1,295**	**1,557**
CURRENT OPERATING PROFIT	**119**	**156**
• Other operating income and expenses	-	-
OPERATING PROFIT	**119**	**156**
• Cost of net debt	-	1
• Other financial income and expenses	(11)	(12)
• Income tax expense	(40)	(53)
• Share of profits and losses of associates	-	-
NET PROFIT BEFORE DISCONTINUED OR HELD-FOR-SALE OPERATIONS	**68**	**92**
• Net profit of discontinued or held-for-sale operations	-	-
TOTAL NET PROFIT	**68**	**92**
• Minority interests	4	2
CONSOLIDATED NET PROFIT ATTRIBUTABLE TO THE GROUP	**64**	**90**

Le Carré des Rois development scheme, Saint-Denis

Bouygues Immobilier has sufficient reserves of land in France to cover three years' activity.

Paris Region

Bouygues Immobilier has strong positions in the Paris region, where it has a market share of 13%.

With prices in Île-de-France rising sharply, Bouygues Immobilier's strategy is to expand in the second and third rings of the greater Paris region, where land is still affordable, so that residential developments can target a broad customer base, especially first-time buyers.

A number of major projects are under way, including:

- the O'Vert development at Bussy-Saint-Georges, to the south-east of Paris, comprising 630 housing units, 9,000 m^2 of office space and 20 retail units;
- La Croisette, an AgirVert® development comprising 342 housing units at Carrières-sous-Poissy, to the west of Paris;
- Eden, a development comprising 220 housing units at Plessis-Robinson, to the south of Paris;
- Les Jardins du Carrousel, a co-development comprising 507 housing units at Issy-les-Moulineaux, just outside Paris;
- Quai Treize, 58 upmarket housing units in Paris, near the Bibliothèque de France, designed by the famous architect Henri Gaudin.

Le Carré des Rois, a major development comprising 172 housing units at Saint-Denis, to the north of Paris, was delivered in the summer of 2005.

The residential property market continues to thrive

Rest of France

Bouygues Immobilier's rapid expansion in the French regions, where reservations rose by 24% in 2005, was fuelled by strongly growing demand in the south and south-east, the Atlantic crescent, the Rhône-Alpes region and eastern France.

To boost its expansion outside the Paris region, Bouygues Immobilier introduced a new organisational structure with two operational divisions covering the north and south of the country rather than just one.

The company also continued to extend its geographical coverage, opening new agencies in Amiens, Grenoble and Lorient, bringing the number of establishments in France to 32.

It intends to continue the process in 2006, opening agencies in Caen and Reims and a branch in Metz.

The expanded network will enable the company to cover 210 towns and cities.

Bouygues Immobilier embarked on a number of major development projects in 2005, including:

- the Cours Richelieu in La Roche-sur-Yon in western France, comprising 305 apartments, six houses, a 100-room student hall of residence, an old people's home with a 75-bed facility under medical supervision and a nursing home;

Exaltis building, Paris La Défense, May 2005

- the Allée des Oliviers in Montpellier in southern France, comprising 145 social housing units on low-interest loans;
- Ponts Jumeaux, a 300-unit project in a mixed development zone in Toulouse.

The company also won a competition to develop two packages of Lyon's Buire mixed development zone near the Part-Dieu station.

Bouygues Immobilier will build a hundred or so housing units on the site and its subsidiary SLC Groupe Pierre-Eugène Pitance a further 80 units.

Commercial and Corporate Property: a brighter outlook

Against a background of sluggish economic growth, the corporate property market hit a trough in 2005. However, signs of an upturn emerged in the second half of the year as rental values became firmer and demand in the Paris region began to stir.

The investment market remained buoyant at €16 million with approximately 20% being invested in new buildings.

Bouygues Immobilier's main competitors are land development companies, investment funds and British and French developers.

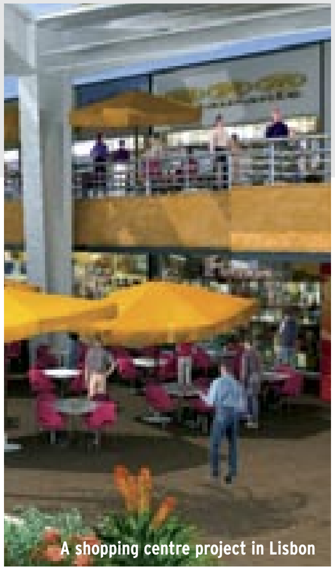
Bouygues Immobilier is an active player at the top end of the market in Paris and its near suburbs, involved in both new building and refurbishment projects. It is also expanding in this segment in France's other major cities.

Bouygues Immobilier maintained sales at the previous year's level, marketing 157,000 m^2 of office, retail and hotel space, including 52,000 m^2 in Europe outside France, and consolidating its leading position on the new office market.

A number of major developments were delivered in 2005, including:

- the 23,800 m^2 Insight building (Paris 13), headquarters of the Banques Populaires, sold to Deutsche Bank Real Estate;
- 96 Haussmann (Paris 8), the former headquarters of Banque Indosuez, a 23,000 m^2 refurbishment project for Calyon under a property development agreement;
- R Way, a 4,200 m^2 building in

Mozart tower project: undertaking to purchase 87,000 m^2 of office space in Issy-les-Moulineaux near Paris



A shopping centre project in Lisbon

Boulogne sold to investment fund Warburg-Henderson which houses the headquarters of the National Cancer Institute.

Major projects currently in progress include:

- Exaltis, a 23,000 m^2 tower in Paris La Défense sold to La Mondiale, scheduled for delivery in March 2006 and partly let to Mazars & Guérard;
- refurbishment of the former Medef headquarters on Rue Pierre 1er de Serbie (Paris 8), a 6,300 m^2 development sold to Crédit Suisse Asset Management;
- the Dijon Business Centre, a 15,000 m^2 development housing the Côte d'Or Departmental Council, the Dijon Chamber of Commerce and Industry and an Ibis hotel;
- the Woodstock business park at Lyon Saint-Priest, which on completion will comprise 13 buildings on a 32,000 m^2 site;
- Château Blanc, a 30,000 m^2 development at Wasquehal in northern France.

The company has concluded a property development agreement for the construction of 46,000 m^2 of office space in Issy-les-Moulineaux for Generali.

Valparimmo, a joint subsidiary of Bouygues Immobilier and EDF, has negotiated the purchase from the Paris city authorities of another site at Issy-les-Moulineaux for the construction of 87,000 m^2 of office space.

A lease has been signed with Airbus for the construction of 5,600 m^2 of office space in Toulouse.

Retail parks: launch on the French market

Bouygues Immobilier staked out a position on the French retail park market, delivering a first 10,000 m^2 project at Beaucaire, in Provence, in 2005.

Retail parks offer consumers an innovative complement to city centre shopping featuring distinctive architectural design in a landscaped environment.

Bouygues Immobilier, having already delivered 113,000 m^2 of retail parks in Europe, mostly in Spain and Portugal, has drawn on its experience and success in the segment to tackle the French market.

The company will develop three more retail parks in 2006, at Nîmes, south-eastern France (12,000 m^2), Marolles-en-Hurepoix to the south-east of Paris (10,000 m^2) and Caen, northern France (15,000 m^2).

Sales growth in Europe

Bouygues Immobilier has continued to expand its operations in Spain, Portugal, Germany, Belgium and

Cristallia programme, Madrid: 92,000 m^2 of offices

Poland, which generated sales of €168 million in 2005, 10.8% of the total and 87% more than in 2004.

In Spain, Bouygues Inmobiliaria is developing Cristallia, a major project in Madrid comprising 11 buildings and 92,000 m^2 of office space. Four buildings sold to investors were delivered in early 2006. In Barcelona, the company is building City 22, a project comprising 13,700 m^2 of office space sold to Segurfundo and MEAG, an investment fund.

On the residential property market, Bouygues Inmobiliaria has delivered its first development sold to private customers, comprising 73 housing units at Castelldefels in the Barcelona suburbs. The company is also continuing to expand on the retail parks market.

Les Solitaires residential development, Frankfurt

In Portugal, Bouygues Imobiliària has continued to pursue its strategy of growth in the commercial property and office segments. Two retail parks were sold, one at Viana to Generali and the other at Braga to Commerzbank, which also bought Expobi 2, a 10,000 m^2 office building in Lisbon.

A promise of sale has been signed in partnership with the Dutch promoter AM for the construction of a 43,000 m^2 shopping centre at Guimaraes. Bouygues Imobiliària also intends to expand into the residential property market in Lisbon.

In Germany, Bouygues Immobilien has sold 20 units in its residential development Les Solitaires and has started to market the 30,000 m^2 Main Triangel office building in Frankfurt.

In Belgium, Bouygues Immobilier Belgium has delivered the first phase of its Sedgewick House residential development in Brussels and has started to market Chasse Royale, a 120-apartment project, also in Brussels. It has submitted an application for planning permission for a 20,000 m^2 retail park outside Charleroi.

In Poland, Bouygues Immobilier Polska is continuing to expand on the residential property market in Warsaw. 213 apartments were reserved in 2005 and the company has enough land to build some 1,000 apartments over the next few years.

Outlook for 2006

Bouygues Immobilier intends to increase its market share in order to consolidate its position as France's leading property developer and become a key player in Europe.

Its strategic priorities are:

- to continue **vigorous but prudent growth** by expanding in the residential property segment, especially in the French regions, keeping risks in the office segment under control and focusing its efforts in Europe on Portugal, Spain and Poland;
- to maintain a **high level of profitability;**
- to preserve a **robust financial structure** through long-term control of debt.

Sales are likely to show a further substantial rise in 2006 as a result of a high level of commercial activity in 2005.

New tax incentives in France are expected to stimulate demand for residential property on a market that is levelling out.

In this context, Bouygues Immobilier expects a further increase in residential property reservations and a moderate but rising level of activity on the commercial and corporate property market.

Work on the A31 motorway, France

THE WORLD LEADER

Operating in all aspects of roadworks and transport infrastructure, Colas also covers the full range of upstream industrial activities from quarrying and mixing plants to units producing emulsions and binders. With its network of local contractors, Colas spans more than forty countries and has some 58,000 employees in over 1,200 establishments.

Highlights

Flourishing sales, especially on international markets

- roadbuilding contracts in Slovakia (€75m),
- motorway construction contracts in Hungary (€49m),
- A41 concession in France.

Ongoing acquisitions policy

- Prosign and Veluvine (road painting) in France,
- Acquisitions in North America and Europe.

Industrial activities

- Increase in production capacity: over 100 million tonnes of aggregates,
- 20 to 25 years' reserves of materials.

Major international projects

- Second phase of renovation of the Antwerp ring road in Belgium;
- First year of a PFI contract in Portsmouth, UK;
- Construction of sections of the M5 and M3 motorways in Hungary;
- Completion of a container storage facility at the port of Norfolk, Virginia (USA).

Sales 2005
€9,540m
(+19%)

Operating profit
€390m
(+35%)

Net profit (Group share)
€307m
(+22%)

Employees
57,800

Sales target 2006
€10,100m
(+6%)

IFRS

Excellent financial and sales performance

19% increase in sales

All Colas' activities in 2005 were located in buoyant markets (France, Central Europe, Indian Ocean, North America) where equipment and infrastructure modernisation needs meant that sales growth often surpassed GDP growth.

The already substantial rise in sales was amplified by external growth, Colas acquiring a large number of small and medium-sized businesses in late 2004 and throughout 2005.

The acquisitions enabled Colas to improve its geographical coverage in Central Europe and strengthen its positions in certain lines of business, notably road paint production, aggregates, bitumen storage and civil engineering.

Helped by favourable weather conditions, almost all the group's subsidiaries confirmed or improved their performance despite a jump in prices for oil products, which represent a substantial proportion of production costs across all business areas.

Colas achieved remarkable results in 2005, recording a sharp rise in sales, profits and investment.

Consolidated book sales amounted to €9,540 million, 18.9% more than in 2004. Like-on-like and at constant exchange rates, the increase was 11.3%.

For the first time in a number of years, exchange rate fluctuations in 2005 had almost no effect on sales figures.

An 18% increase in order books

Net profit attributable to the group rose by 22.3% to €307 million and cash flow by 25% to €783 million.

Shareholders' equity rose from €1,230 million at end-2004 to €1,478 million.

Net investment amounted to €495 million. With a net cash surplus of €415 million, the company had no net debt.

Order books at the end of December 2005 amounted to €4.66 billion, up by approximately 18% (16% in France, 20% on overseas and international markets).

IN ROADWORKS

› Sharp rise in sales and profits in 2005

Colas group businesses

Mainland France

Roads

The group's roads business in France is highly diversified. Each year the company completes some 53,000 projects in transport infrastructure construction or maintenance (motorways, major roads, local roads, airports, ports, railways, and public transport lanes for buses and trams), industrial and commercial hubs, mains services for individual homes and housing estates, urban and environmental amenities, and leisure facilities.

It also has a building operation in the Paris region which includes conventional construction work, mostly office buildings, and the dismantling and demolition of old buildings.

Safety and Signalling

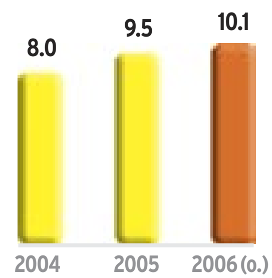
The road safety and signalling business comprises the manufacture, installation and maintenance of safety equipment (guard rails, traffic directing equipment), signalling devices (signs, trailers, production and application of paints, marking) and traffic management equipment (traffic light maintenance).

Pipes and mains

The business comprises the laying and maintenance of pipes and mains and deep drilling.

Sales

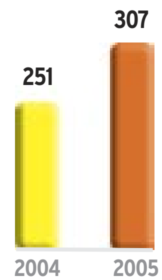
€bn



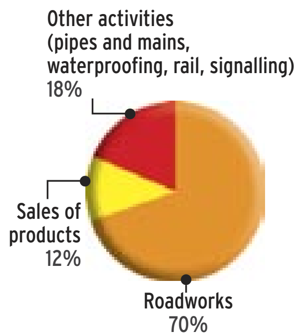
(o.) : objective

Net profit (Group share)

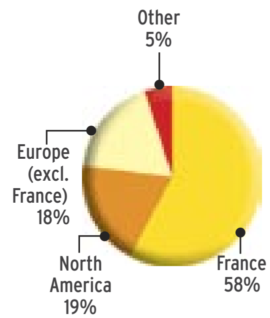
€m



Sales by business segment

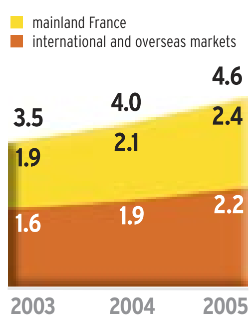


Sales by region



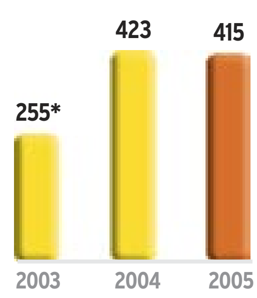
Order books

€bn



Net cash

€m



* French GAAP   IFRS

CONSOLIDATED BALANCE SHEET AT 31 DECEMBER		
ASSETS (€m - IFRS)	**2004**	**2005**
• Tangible and intangible fixed assets	1,438	1,687
• Goodwill	170	205
• Non-current financial assets	394	428
NON-CURRENT ASSETS	2,002	2,320
• Current assets	2,415	2,960
• Cash and equivalents	635	661
• Financial instruments (debt-related)	5	9
CURRENT ASSETS	3,055	3,630
TOTAL ASSETS	5,057	5,950
LIABILITIES (€m - IFRS)		
• Shareholders' equity attributable to the Group	1,205	1,451
• Minority interests	25	27
SHAREHOLDERS' EQUITY	1,230	1,478
• Long-term debt	89	108
• Non-current provisions	413	471
• Other non-current liabilities	46	59
NON-CURRENT LIABILITIES	548	638
• Debt (amount due within one year)	50	38
• Current liabilities	3,151	3,687
• Short-term bank borrowings and overdrafts	74	100
• Financial instruments (debt-related)	4	9
CURRENT LIABILITIES	3,279	3,834
TOTAL LIABILITIES	5,057	5,950
NET DEBT	(423)	(415)

CONSOLIDATED INCOME STATEMENT		
(€m - IFRS)	**2004**	**2005**
SALES	8,024	9,540
CURRENT OPERATING PROFIT	289	422
• Other operating income and expenses	-	(32)
OPERATING PROFIT	289	390
• Cost of net debt	(7)	(10)
• Other financial income and expenses	24	4
• Income tax expense	(95)	(121)
• Share of profits and losses of associates	42	49
NET PROFIT BEFORE DISCONTINUED OR HELD-FOR-SALE OPERATIONS	253	312
• Net profit of discontinued or held-for-sale operations	-	-
TOTAL NET PROFIT	253	312
• Minority interests	2	5
CONSOLIDATED NET PROFIT ATTRIBUTABLE TO THE GROUP	251	307

Antwerp Ring road, Belgium

Waterproofing

The waterproofing business comprises the production and marketing in France and on international markets of waterproofing membranes, skylights and smoke extraction devices, roadways waterproofing, and waterproofing and cladding/roofing for buildings.

Rail

The rail business comprises the construction and maintenance of rail networks, including both conventional track and high-speed lines, tramways and underground lines, and the widening of rail tunnels.

Concessions

Colas has a 16.67% stake in Cofiroute, a motorway concession company that operates a 986 km network of major roads in the north-western quarter of France.

Together with Bouygues Construction, it also has a 46.1% stake in Adelac, the concession company that has won a 55-year concession to operate the A41 motorway linking Annecy and Geneva.

Competitive environment

Colas is the leading roads contractor and in second place for the production of aggregates, rail works and waterproofing. A ranking for other activities would be meaningless. On roadworks and civil engineering markets, Colas subsidiaries are in competition with Eurovia (Vinci), Appia (Eiffage) and a very dense network of some 1,600 small, medium and large regional and local firms. Lafarge and Ciments Français are competitors on the aggregates market, along with regional and local producers of aggregates, some of which also have a civil engineering activity. Subsidiaries operating in complementary activities compete with the specialist arms of the French construction firms already mentioned and their international counterparts and a host of small, medium and large specialist firms, regional, national and foreign, like Signature, Girod and Lacroix in the signalling segment and Vossloh and Amec Spie in the rail segment.

International and overseas markets

International sales in the roads sector run at more or less the same level as sales in France, though individual projects tend to be larger in North America, Central Europe and the Indian Ocean.

The group's main complementary activities outside France are pipes and mains, civil engineering and railway works in Europe, and building and civil engineering in the Indian Ocean.

In Asia, Colas is developing the storage and marketing of oil products, especially bitumen, mostly for roads.

Colas has prime positions on international markets and is in competition, in each country, with local firms or subsidiaries of major international construction firms, cement makers or materials producers.

Strong sales growth in mainland France

Consolidated sales in France rose by 11.2% on 2004 to €5,240 million (7.8% like-on-like).

Roads

On a buoyant market, Colas and its regional roads subsidiaries reported an 11.8% rise in sales to €4,289 million.

Local authority and private sector investment, urban transport projects (especially tramways) and urban development schemes offset the continuing decline in government spending, underlined by further delays in

TGV Est high-speed line

the performance of contracts under planning agreements between central government and the regions.

The group also pursued its strategy of expanding its materials production capacity, especially aggregates, making a number of acquisitions during the year.

Safety and signalling

The safety and signalling division recorded an impressive 24.5% increase in sales, mostly due to the consolidation of two road paint production and road marking companies in the second half of the year, Prosign in France and Veluvine in the Netherlands, and sustained demand from the motorway and equipment maintenance segments.

Pipes and mains

Sales at the pipes and mains division remained stable in comparison with 2004. Demand on the oil and gas markets remained firm and the trend on the water market was favourable.

Waterproofing

Waterproofing subsidiaries reported a significant rise in sales, up 11.2% on 2004, although the figure for waterproofing membrane production reflects the increase in raw materials prices.

Rail

Sales at the rail division rose by 21% on the previous year, mostly due to substantial volumes of work on major rail projects in France and the UK. In contrast, local branches have had to adapt to a cut in track maintenance and renovation grants from RFF, the infrastructure operator.

Very sharp rise in international and overseas sales

Sales on international and overseas markets amounted to €4.3 billion, a 29.8% increase on 2004 (11.8% like-on-like and at constant exchange rates). In geographical terms, North America

Construction of the Paris tramway

accounted for 41.4%, Europe (excluding France) for 40.1%, Africa/Indian Ocean/Asia for 9% and French overseas dependencies for 9.5%.

Europe

Sales in Europe (excluding France) rose by 44.5% on the previous year to €1,725 million, with central Europe accounting for €937 million and northern Europe for €788 million.

In **Belgium,** sales were sustained by major projects including renovation of the Antwerp ring road, a section of the E25 motorway and renovation and extension of the runway at Liège airport.

In **Denmark,** the market was satisfactory in volume terms but subject to considerable price pressure in a context of fierce competition.

In the **UK,** under a 25-year contract to renovate and maintain roads in Portsmouth concluded in July 2004, work on the main network began in February and the first year of the contract as a whole was completed to

Route des Tamarins,
La Réunion

the customer's satisfaction.

In **Switzerland,** the market remained sluggish and sales fell slightly.

In **Hungary,** sales jumped as a result of work on motorway contracts, mains projects and the acquisition of Hoffmann Rt, a roads company.

Sales also rose in the **Czech Republic,** where the acquisition of the Kamenolom Cisarsky quarries enabled the company to extend its range of activities.

In **Slovakia,** sales rose sharply in a buoyant market sustained by motorway and infrastructure maintenance projects.

In **Romania,** sales remained at the same level as in the previous year despite heavy flooding.

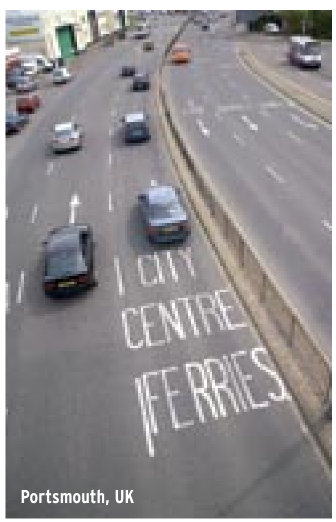
In **Poland,** three new quarries were acquired in the south of the country.

North America

Sales in North America rose by 20% on 2004 to €1,780 million. Like-on-like and at constant exchange rates, the figure was 13%.

In the **United States** the group, which has subsidiaries operating in 23 states, recorded a 13% rise in sales.

Uncertainties over renewal of the TEA-21 federal infrastructure financing programme were finally dispelled with the passing of the SAFETEA-LU Act, which guarantees $286 billion in federal funding for transport infrastructure projects over six years, giving a clearer view of the picture for the medium term.



Portsmouth, UK

In **Canada,** sales rose sharply on the back of high public spending and sustained growth in the residential, commercial and industrial sectors, especially in the oil-rich west of the country.

Colas reinforced its positions with a number of small-scale acquisitions, particularly in Quebec, British Columbia and the North-West Territories.

Indian Ocean – Africa

Sales in the Indian Ocean rose sharply as a result of major projects in **Madagascar** funded by international backers, including the strengthening of RN2, the "Vanilla Road", and renovation of 300 km of RN6.

In **Morocco,** sales remained at the same level as in the previous year. An increase in roadworks offset the closure of a quarry and a fall in emulsion sales.

In **Benin,** sales tumbled due to a lack of projects.

In **Gabon,** sales were boosted by ongoing infrastructure work for an oil company.

Overseas dependencies

Building activity in **La Réunion** was boosted by vigorous private-sector investment, while sales in the public works segment benefited from the launch of major projects like the Route des Tamarins.

Gilles Villeneuve circuit, Canada

Activity in Mayotte mainly concerned the construction of breakwaters for the port of Longoni.

In the **Caribbean,** sales slowed in Guadeloupe but picked up slightly in Martinique.

Two major projects were completed in **Guiana:**

- strengthening of the main runway of Rochambeau airport,
- earthworks for the Soyuz launch pads at the Kourou Space Centre.

Asia

With all the group's subsidiaries in the region benefiting from brighter economic conditions, sales of bitumen products reached a record high, approaching the million-tonne mark.

Expansion in the production, storage and distribution of oil products, especially bitumen and emulsions, was stepped up.

Subsidiaries in **Thailand** performed well.

In **Malaysia,** construction work started on a bitumen refinery which will ultimately be able to handle 25,000 barrels of oil a day and produce up to 800,000 tonnes of bitumen a year. Production at the plant is scheduled to begin in early 2007.

In **India,** where the group has six production units, Hincol continues to lead the emulsion market, producing 80,000 tonnes of binders a year.

In **Vietnam,** the takeover of a company specialising in the storage and distribution of bitumen has improved the group's geographical coverage in that segment.


Mions industrial site: quarrying, mixing, recycling

Outlook for 2006

Considerable urban development and infrastructure needs remain, both in France and on international markets.

Projects in progress or under consideration suggest that business will continue to thrive in the first half of 2006. Although economic, budgetary and monetary uncertainties coupled with meteorological considerations urge caution, 2006 looks like being a repeat of 2005.

Plans for further acquisitions have been made, some of which could come to fruition in 2006, both in France and elsewhere.

If that is the case, and if markets remain firm in the second half of the year, Colas may expect to enter a new phase in its strategy of profitable growth in 2006, with sales of more than €10 billion, especially as its advantages remain unchanged:

- network of profitable businesses with relatively little exposure to cyclical movements,
- a growing proportion of industrial activities with efficient plant,
- over 95% of sales generated in the developed world and no exposure in unstable countries,
- a robust financial situation,
- a simple, flexible organisation.

13.3 million viewers tuned in to the France-Cyprus match

NUMBER ONE TELEVI

France's leading general-interest TV channel, TF1 has diversified into complementary businesses including theme channels, internet activities, audiovisual rights, spin-off products and pay TV.

Highlights

- **December:** announcement of a planned merger between TPS and Groupe Canal+.
- **October:** 13.3 million viewers for the football match between France and Cyprus on TF1.
- **Summer:** 12 million viewers on average for the summer serial, *Dolmen.*
- **July:** six TF1 channels in the Mediacabsat Top 10 (audience of cable and satellite channels, 27 December 2004 to 12 June 2005).
- **First half of 2005:** disposal of Visiowave and Studios 107.
- **June:** exclusive rights to show the 2010 and 2014 football World Cup competitions in France.
- **May:** acquisition of a 40% stake in TMC.
- **March:** launch of Ushuaïa TV. Launch of DTT in France: TF1 has two licences for free-to-air (TF1 and TMC) and four for pay channels.

Sales 2005
€2,509m*
(=)

Operating profit
€353m*
(-7%)

** excl. TPS*

Net profit (Group share)
€236m
(+5%)

Employees
4 100*

** incl. fixed-term contracts*

Sales target 2006
€2,620m
(+4%)

IFRS

Under the terms of the agreement concerning TPS concluded by Vivendi Universal, TF1 and M6 on 6 January 2006, TPS is deemed to be an asset held for sale and TF1's financial statements are presented according to IFRS 5 (Non-current Assets Held for Sale and Discontinued Operations).

The sales figure for the TF1 group does not therefore include TPS in 2004 and 2005 (for consistency, 2004 figures are given like-on-like). Thus, sales for the TF1 group (ongoing activities) in 2005 were stable at €2,509 million. On-air advertising sales increased by 0.1% over the year as a whole. Annual sales by other divisions (excluding activities held for sale) rose by 0.6%.

Growth in other activities was mainly due to four factors.

- Audience figures for the TF1 group's theme channels in France were good and advertising sales rose by 16% in 2005. e-TF1's contribution to sales increased by 42.7% and the tf1.fr website consolidated its position as France's premier media portal;
- Teleshopping benefited from popular programmes and thriving internet sales;
- TF1 International reported a 52.6% jump in sales, due in particular to a number of box-office successes (TF1 International was the fourth biggest French film distributor in 2005).

The TF1 group's operating profit fell by 7% to €353 million (including a €14.2 million capital gain on the sale of Visiowave) in comparison with the previous year. The fall was mostly due to the combined effect of flat advertising sales and a 2.9% increase in the cost of programmes.

Over 2005 as a whole, the net profit attributable to the Group rose by 5% to €236 million, giving a net margin on sales of 9.4%, compared with 9.0% in 2004.

Most of this improvement was due to a reduction in the tax charge.

The TF1 group had shareholders' equity of €1,050 million at 31 December 2005, for a balance sheet total of €3,470 million. Net debt amounted to €351 million, or 33% of equity.

In November 2005, Standard & Poor's confirmed TF1's long-term A and short-term A-1 rating, underlining the group's excellent financial health. The outlook moved from stable to negative.

› Biggest increase in audience share on the French market in 2005

French channels

French channels generated revenue of €2,039.9 million in 2005 (before stripping out inter-sector sales), 1.2% more than in 2004, and an operating profit of €292.5 million. Excluding TF1 SA, sales in the sector rose by 4.8% and the operating margin improved by 5.2 points to 7.8%.

TF1 channel*

Record-beating viewing-time figures drove TV consumption to its highest levels since the Mediamat panel was established in 1989.

Average daily viewing amounted to 206 minutes, a two-minute increase on the previous year. The rise was even greater among women under 50, the core advertising target audience, an additional seven minutes bringing the total to 216 minutes. TF1 is the terrestrial channel that has contributed most to this increase.

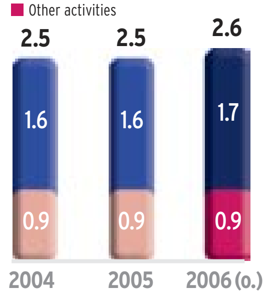
Growth at TF1 continued in 2005. With 32.3% of the audience of individuals aged 4 and over (up 0.5) and 36.2% of women under 50 (up 0.7), TF1 exceeded its 2004 levels in its two core target markets. It continues to be both a leading general-interest channel and a media innovator.

TF1 had 97 of the top 100 audiences in 2005, compared with 89 in 2004 and 95 in 2003.

** Source: Médiamétrie*

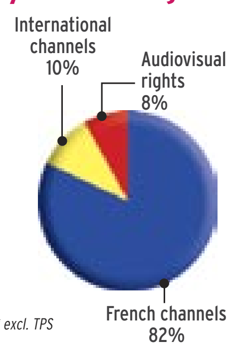
Sales*

€bn



** excl. TPS (o.) : objective*

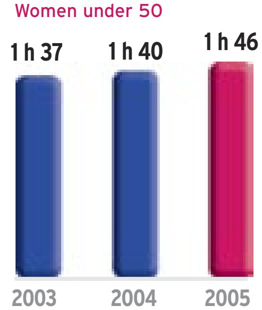
Sales* by business segment



** excl. TPS*

TF1 viewing time

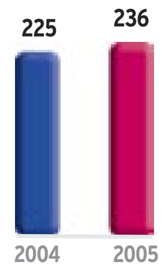
Women under 50



Source: Médiamétrie

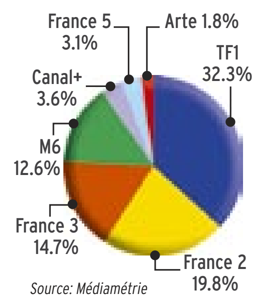
Net profit (Group share)

€m



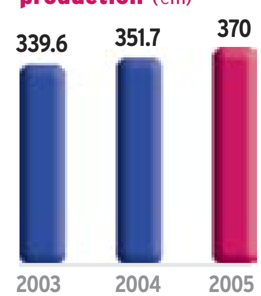
Audience share

Individuals aged 4 and over



Source: Médiamétrie

Investment in French production (€m)



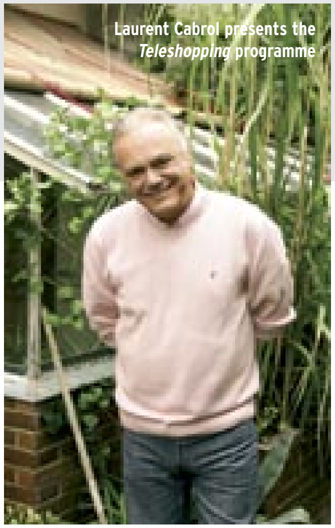
CONSOLIDATED BALANCE SHEET AT 31 DECEMBER

ASSETS (€m - IFRS)	2004	2005
• Tangible and intangible fixed assets	333	332
• Goodwill	889	481
• Non-current financial assets	108	118
NON-CURRENT ASSETS	1,330	931
• Current assets	1,771	1,787
• Cash and equivalents	159	176
• Financial instruments (debt-related)	12	12
CURRENT ASSETS	1,942	1,975
• Held-for-sale assets	-	564
TOTAL ASSETS	3,272	3,470
LIABILITIES (€m - IFRS)		
• Shareholders' equity attributable to the Group	975	1,051
• Minority interests	1	(1)
SHAREHOLDERS' EQUITY	976	1,050
• Long-term debt	524	513
• Non-current provisions	30	32
• Other non-current liabilities	63	49
NON-CURRENT LIABILITIES	617	594
• Debt (amount due within one year)	32	26
• Current liabilities	1,623	1,450
• Short-term bank borrowings and overdrafts	17	-
• Financial instruments (debt-related)	7	-
CURRENT LIABILITIES	1,679	1,476
• Liabilities on held-for-sale assets	-	350
TOTAL LIABILITIES	3,272	3,470
NET DEBT	409	351

CONSOLIDATED INCOME STATEMENT

(€m - IFRS)	2004	2005
SALES	2,501	2,509
CURRENT OPERATING PROFIT	381	339
• Other operating income and expenses	-	14
OPERATING PROFIT	381	353
• Cost of net debt	(17)	(13)
• Other financial income and expenses	4	-
• Income tax expense	(137)	(115)
• Share of profits and losses of associates	(5)	(5)
NET PROFIT BEFORE DISCONTINUED OR HELD-FOR-SALE OPERATIONS	226	220
• Net profit of discontinued or held-for-sale operations	(2)	14
TOTAL NET PROFIT	224	234
• Minority interests	(1)	(2)
CONSOLIDATED NET PROFIT ATTRIBUTABLE TO THE GROUP	225	236

TPS is booked as a held-for-sale asset.


Laurent Cabrol presents the *Teleshopping* programme

Advertising*

In this context, the TF1 group recorded an across-the-board increase in net advertising revenue, with the TF1 core channel posting a rise of 0.1%, French theme channels a rise of 16% and internet activities a rise of 30%. Advertising revenue increased by 3% in the last quarter of 2005.

The structure of TF1's advertising revenue reflects shifts and changes in household consumption patterns.

The food industry is still the biggest spender on advertising on TF1, though its overall expenditure declined by 9% in 2005 and spending on beverage advertising slipped back by 8.6%. Telecoms and services continue to drive the market, with sharply rising advertising budgets: the telecom sector is the fifth largest advertiser on TF1 and spending in 2005 rose by 25.9%, mainly due to advertising by internet service providers. The sector was boosted by the launch of new products and services, such as combined TV, telephone and internet packages and liberalised directory services.

** source: Secodip*

Spending by the service sector, the seventh largest advertiser on TF1, rose by 3.6%, driven by employment and recruitment agencies and banks (+1.6%).

French theme channels

Sales by the TF1 group's French theme channels rose by 8.3% in 2005 (before stripping out inter-sector sales) to €138.9 million, sustained by:

- the consolidation of TMC, which generates annual sales of €5.2 million;
- the good viewing figures recorded by TF1 group channels in the most recent Mediacabsat survey[1]. Six channels from the TF1 stable featured in the top 10 in terms of audience share, including Eurosport, the leading cable and satellite channel, equal with RTL9, and TV Breizh, now in third place;
- a 16% increase in advertising revenue from theme channels in 2005.

French theme channels recorded an operating loss of €15.9 million in 2005, though LCI and TV Breizh reduced their operating loss by €3.2 million and €2.7 million respectively.

Histoire, Ushuaïa TV and TMC, channels newly acquired or created in 2004 and 2005, accounted for €9.3 million of the operating loss.

Given the outlook for sales growth, losses from theme channels are likely to show a significant decline in 2006.


Dolmen, TF1's highly successful summer serial

LCI should cut its losses by around 20% and TV Breizh is expected to break even.

Teleshopping's contribution to the TF1 group's consolidated sales in 2005 amounted to €89.3 million, up 6.8%, mainly due to strong growth in internet sales (up 56%), which now account for around 20% of the subsidiary's revenue.

The opening of a first store in Paris in August 2005 and a second in early 2006 marked a milestone in the development of the business. The Infomercials project (American-style teleshopping) began on 15 October in France on certain cable and satellite channels and is expected to expand rapidly in 2006. The Teleshopping subsidiary reported an operating profit of €8.2 million, giving a margin on sales of 9.2%.

TF1 Entreprises suffered from a difficult economic climate and a slowdown in licensing and merchandising business in 2005; in addition one of its flagship brands, *Star Academy,* is

(1) Ninth Mediacabsat survey (27 December 2004 to 12 June 2005)

beginning to tire. The subsidiary's contribution to sales fell to €29.7 million.

TF1 Entreprises made up for this decline by developing new lines of business such as comic strips and coffee-table books, optimising its licence agreements and signing up new brands.

TF1 Hors Média, created on 1 September 2005 to offer advertisers and agencies options for off-media communication, contributed €0.5 million to the sales of TF1 Entreprises, which reported an operating profit of €5.7 million in 2005.

The contribution to sales of e-TF1, the group's interactive services division, jumped by 42.7% to €69.8 million, buoyed by the success of the game shows *A prendre ou à laisser* and *Attention à la marche*, and a surge in advertising revenue and sales of pay content driven by the rising number of visitors to the tf1.fr portal.

The portal has consolidated its position as France's leading media website, registering a 47% increase in audience on a market that grew by 28%. It is 21st in the ranking of French websites, its highest place since the site was launched, has 65% of the media website market and ranks ninth in terms of internet advertising expenditure.

e-TF1's operating profit more than doubled in 2005 to €6.3 million, giving a margin on sales of 9.0% compared with 5.1% in 2004.

Distribution of programmes and services

TPS

TPS reported a 6% increase in sales in 2005 and had 1.75 million satellite, cable, ADSL and group subscribers at 31 December. The rise in sales was due to an increase in the average number of subscribers over the period.

Having entered into a partnership with neuf telecom in February 2005, in November TPS announced the conclusion of an agreement with Telecom Italia to broadcast its programmes on the ADSL network of internet service provider Alice.

10 million households were able to receive TPS via ADSL by the end of the year.

TPS made an operating profit of €17 million in 2005 consolidated at 66%, eight and a half times more than in 2004, and passed the break-even point, reporting a net profit of €14 million consolidated at 66%. It had total net debt of €160.6 million at 31 December 2005.

Merger of Canal+ and TPS

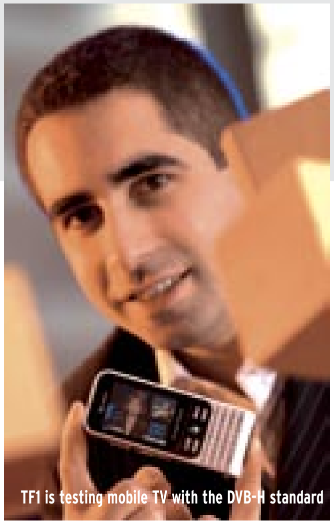
On 16 December 2005, Vivendi Universal, TF1 and M6 announced their intention to combine the French pay TV activities of Canal+ and TPS in an entity controlled by Vivendi Universal, the aim being to develop an enhanced and competitive pay TV offering driven by strong brands for the benefit of consumers.

On completion of the merger, TF1 and M6 will own 9.9% and 5.1% respectively of the new entity, controlled exclusively by Vivendi Universal. In February 2006, Lagardère announced that it would join the new group, taking a 20% stake that would leave Vivendi Universal with 65%. The move would not affect TF1 and M6.

On 6 January 2006, after consulting the social partners involved, Vivendi Universal, TF1 and M6 signed the agreement concluding the deal, which was then referred to the Conseil Supérieur de l'Audiovisuel (broadcasting authority) in a consultative capacity and to the competition authorities for approval. If approval is forthcoming, TF1 and M6 have decided to keep their stakes in the new entity for at least three years after the transaction is finalised. After that time, TF1 and M6 would have the option of selling their shares at market value, enabling them to reap the full benefit of the new entity's development.

The put option would include a guaranteed minimum of €1.13 billion for 15% of the new entity's shares, valuing the company as a whole at €7.5 billion.

Cult serial *Lost* in prime time on TF1



TF1 is testing mobile TV with the DVB-H standard

The background to the merger plan is an environment that is changing faster than had been anticipated. Four major factors are now affecting the overall balance in the television industry in France, especially the pay TV segment:

- rapid developments in digital distribution technologies (ADSL, DTT, mobile TV, etc.) and the equally great rapidity with which they have been taken up by consumers;
- the spread of free-to-view offerings, especially on DTT and ADSL, with operators offering bouquets of free channels;
- the arrival of powerful new operators, especially telecom operators, internet service providers and multinational publishing and retail groups, compounded by a restructuring of the cable industry;
- differences in the way different players are regulated (telecom operators are not subject to the same obligations as TV channels).

Audiovisual rights

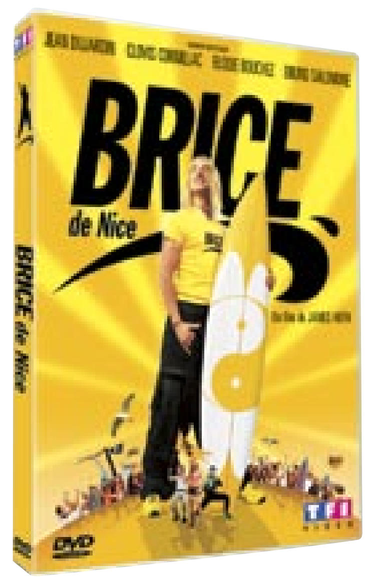
The audiovisual rights division generated sales of €247.9 million in 2005 (before stripping out inter-sector sales) and reported a 62.6% rise in operating profit to €22.6 million, representing an operating margin of 9.1%, 3.2 points up on 2004.

TF1 Vidéo's contribution to Group sales fell back by 5.1% to €160.7 million. However, revenue surged in the second half of the year, rising by 24.6% after a 28.7% drop in the first half, on the back of a strong catalogue and the video release of *Brice de Nice* (over 900,000 units sold), *Les Experts* (*Crime Scene Investigation* – over 1 million units sold) and comedian Gad Elmaleh's most recent show (almost 600,000 units sold). The operating profit in 2005 amounted to €16.8 million, giving an operating margin of 10.5%, up by just over half a point.

Match Point, shown at the Cannes Film Festival

On 15 November 2005, TF1 Vidéo launched its video-on-demand service, tf1vision.fr. This new line of business, combined with the rapid growth of broadband internet in France, should help to increase TF1 Vidéo's sales in 2006.

TF1 International, boosted by the box-office success of *Brice de Nice* (4.3 million entries), *Iznogoud* (2.5 million), *Le Dernier Trappeur* (2.1 million), *Aviator* (1.7 million) and *Match Point* (1.5 million), increased its contribution to consolidated sales by 52.6% to €63.8 million (before stripping out inter-sector sales). TF1 International broke even in operating terms, having reported a €6.5 million loss in 2004.



International channels

Eurosport was received in 105.1 million homes in Europe by the end of 2005, including 55.9 million paying subscribers (4.4 million more than at end-2004).

The channel is now shown in 54 countries and in 19 languages. The strategy of showing either live or recorded major sporting events has paid off, since the number of paying subscribers is rising.

Eurosport 2, launched on 10 January 2005, is shown in seven languages (English, Polish, Turkish, Greek, French, Italian and Russian) in 37 countries and is received in 17.7 million homes, almost all of them paying subscribers.

Eurosport International's contribution to consolidated sales in 2005 rose slightly to €258.8 million (before stripping out inter-sector sales).

Subscriber revenue is rising due to the growing market for pay TV in Europe, the quality of Eurosport products (Eurosport, Eurosport 2, Eurosportnews) and the strength of the brand.

Advertising revenue has fallen only slightly despite the lack in 2005 of major sporting events like the Olympic Games. This satisfactory performance is the result of products and services better adapted to advertisers' requirements and very good viewing figures.

New activities, notably organisation of the World Touring Car Championship (FIA WTCC), have also contributed to sales growth.

Eurosport International reported an operating profit of €29.9 million compared with €26.7 million in 2004, and improved its operating margin by just over one point to 11.6%.

In December 2005, Italian affiliate Europa TV announced its intention to sell its frequencies to Mediaset in the context of the launch of the new DVB-H network. Provided that it obtains the necessary authorisations, Europa TV will sell Mediaset its infrastructure and frequencies, the latter being earmarked exclusively for Mediaset's new DVB-H offering. Europa TV is controlled by Tarak Ben Ammar (71%) and the TF1 group (29%).

Other activities

On 10 June 2005, TF1 announced the disposal of its entire 80% stake in Visiowave to General Electric Infrastructure Security, a wholly-owned subsidiary of General Electric.

TF1 had acquired an initial stake in Visiowave in July 2000 and a controlling interest in November 2002.

The disposal generated a capital gain of €14.2 million, booked as operating profit in TF1's consolidated financial statements.

Eurosport is the organiser of the FIA World Touring Car Championship


Melissa Theuriau, LCI

Outlook for 2006

TF1 intends to continue to pursue growth in accordance with its strategy, which is:

- to remain France's leading programme producer,
- to develop Eurosport,
- to create new formats for programmes and services, adapted to new technologies.

The broadband i-mode™ campaign

MOBILE COMMUNICAT

Bouygues Telecom offers its consumer and corporate customers a wide range of mobile phone services, including voice and data, through i-mode™, and data transmission.

Highlights

- **December:** Bouygues Telecom signed up its eight million[th] customer and announced its intention to appeal against the competition commission's decision to impose a €58 million fine for alleged collusion.
- **October:** Philippe Montagner appointed Chairman and CEO; first experiments with mobile digital TV (DVB-H standard); launch of broadband i-mode™ for the general public; roll-out of the new Bouygues Telecom Club concept.
- **August:** launch of the Emotion contract.
- **May:** introduction of high-speed services for corporate customers using the Edge network (coverage: 85% of the population).
- **January:** end of the "bill & keep" system and introduction of mobile-to-mobile billing between operators; launch of the Expression contract.

Sales 2005
€4,537m
(+24%)*

* +2% with mobile-to-mobile billing at 2004 rates

EBITDA / Net sales from network: 31.8%
(+3.3 points)*

* with mobile-to-mobile billing in 2004

Net profit (Group share)
€352m
(+8%)*

* +6% with mobile-to-mobile billing in 2004

Employees
7,300

Sales target 2006
€4,580m
(+1%)

IFRS

Bouygues Telecom moved into the broadband era in 2005.

Its Edge network covers over 90% of the French population. It provides access to broadband i-mode™, a comprehensive set of mobile multimedia services.

Bouygues Telecom moved past the eight million customer mark in 2005.

Solid performance in 2005

Sales

Consolidated sales amounted to €4,537 million. For the first time in 2005, mobile phone operators billed mobile-to-mobile call termination, generating an additional €665 million in sales for Bouygues Telecom.

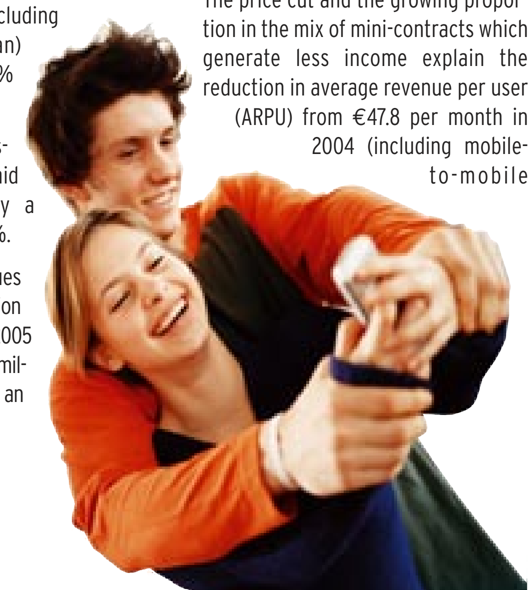
To measure the true increase in sales, the figures for 2004 should be adjusted for mobile-to-mobile sales that would have been billed if the system had been introduced on 1 January 2004, equivalent to €761 million (at 2004 call termination rates).

Bouygues Telecom generated consolidated net sales from network of €4,240 million in 2005, a like-on-like increase of 3.6%. Handset sales and other items fell 11% to €297 million, most of the decline being mainly attributable to an exceptionally high level of handset sales in the first quarter of 2004.

The customer base expanded significantly, the number of contract customers at year-end (including in the Caribbean) increasing by 12.6% to 5,563,000.

The number of customers using prepaid SIM cards rose by a more moderate 1.5%.

Altogether, Bouygues Telecom had 8,131 million customers at end-2005 compared with 7,468 million a year earlier, an increase of 8.9%.



Bouygues Telecom still has the best customer mix in the industry with 68.4% of contract customers. It had 18.2% of the total base of contract customers at year-end, compared with 18% at the end of 2004.

Voice traffic fell by 25 minutes per customer per month to 263 minutes per month. As the fall stemmed almost entirely from unlimited contracts, and in particular from lower consumption of free airtime, it therefore had little impact on sales.

The regulator imposed a 17.3% cut on Bouygues Telecom's mobile call termination rates from 1 January 2005.

The price cut and the growing proportion in the mix of mini-contracts which generate less income explain the reduction in average revenue per user (ARPU) from €47.8 per month in 2004 (including mobile-to-mobile

Launch of broadband i-mode™ services and a rise in profits in 2005

billing at 2004 call termination rates) to €44.6 per month in 2005.

An attractive loyalty programme and high-quality customer service helped to limit churn among contract customers to 1.3% in 2005.

Results and financial situation

Consolidated EBITDA in 2005 amounted to €1,349 million, equivalent to 31.8% of net sales from network.

Because mobile-to-mobile billing caused net sales from network to swell by €665 million, the EBITDA margin rate calculated on that basis is not directly comparable with the equivalent figure for previous years.

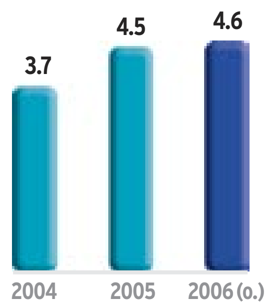
Customer growth and cost controls caused a like-on-like improvement to the margin of 3.3 points in comparison with 2004.

The current operating profit rose by 10% to €656 million, while the operating profit amounted to €598 million after a €58 million charge for the fine imposed by the Competition Council for alleged collusion.

The consolidated net profit amounted to €352 million, an increase of 6%. It would have been €410 million excluding the fine, an increase of 23.5%.

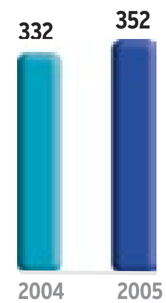
Since 2002, cash flow has been sufficient to finance capital expenditure and reduce debt. Rollout of the Edge technology cost €240 million, spread over 2004 and 2005. Total gross

Sales
€bn



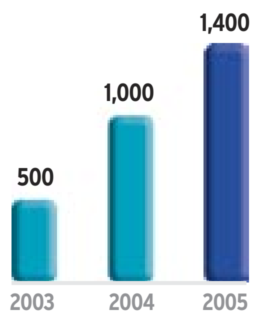
(o.) : objective

Net profit (Group share)
€m

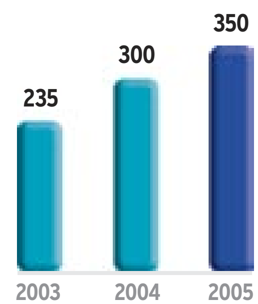


IFRS

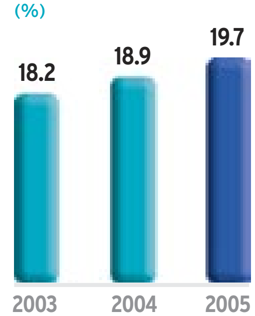
Number of i-mode customers thousand



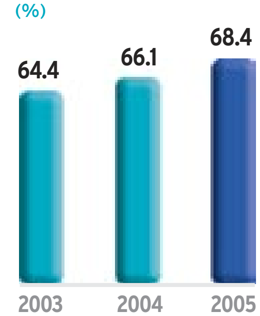
Number of i-mode sites



Market share by value
(%)



Contract customers
(%)



CONSOLIDATED BALANCE SHEET AT 31 DECEMBER

ASSETS (€m - IFRS)	2004	2005
• Tangible and intangible fixed assets	3,133	3,078
• Goodwill	12	12
• Non-current financial assets	428	205
NON-CURRENT ASSETS	3,573	3,295
• Current assets	802	1,011
• Cash and equivalents	15	5
• Financial instruments (debt-related)	12	-
CURRENT ASSETS	829	1,016
TOTAL ASSETS	4,402	4,311
LIABILITIES (€m - IFRS)		
• Shareholders' equity attributable to the Group	1,783	2,132
• Minority interests	-	-
SHAREHOLDERS' EQUITY	1,783	2,132
• Long-term debt	1,187	434
• Non-current provisions	30	54
• Other non-current liabilities	-	-
NON-CURRENT LIABILITIES	1,217	488
• Debt (amount due within one year)	9	11
• Current liabilities	1,365	1,679
• Short-term bank borrowings and overdrafts	-	-
• Financial instruments (debt-related)	28	1
CURRENT LIABILITIES	1,402	1,691
TOTAL LIABILITIES	4,402	4,311
NET DEBT	1,197	441

CONSOLIDATED INCOME STATEMENT

(€m - IFRS)	2004	2005
SALES	3,666	4,537
CURRENT OPERATING PROFIT	597	656
• Other operating income and expenses	-	(58)
OPERATING PROFIT	597	598
• Cost of net debt	(62)	(26)
• Other financial income and expenses	(7)	-
• Income tax expense	(196)	(220)
• Share of profits and losses of associates	-	-
NET PROFIT BEFORE DISCONTINUED OR HELD-FOR-SALE OPERATIONS	332	352
• Net profit of discontinued or held-for-sale operations	-	-
TOTAL NET PROFIT	332	352
• Minority interests	-	-
CONSOLIDATED NET PROFIT ATTRIBUTABLE TO THE GROUP	332	352

i-mode™ in the broadband era

investment over the last few years has remained below €600 million.

Bouygues Telecom reimbursed the outstanding amount of its shareholder loan, €621 million, in the first half of 2005. To take advantage of low interest rates and obtain maximum flexibility, Bouygues Telecom concluded bilateral loan agreements with ten banks for a total of €725 million, with maturities of two, three and five years. At the same time the ceiling of the syndicated loan concluded in April 2004 was steadily reduced and the facility itself was cancelled in advance in December 2005. Long-term debt amounted to €441 million at end-2005, compared with €1,197 million a year earlier. The debt-to-equity ratio at 31 December 2005 was 0.21.

Bouygues telecom products and services

Corporate

Bouygues Telecom opened its Edge network in May, offering corporate customers and professionals a comprehensive range of broadband data contracts and universal text messaging.

The services can be accessed from a laptop equipped with a high-speed digital card, from a digital personal assistant or from a smart phone.

General Public

Bouygues Telecom expanded its range of unlimited services in order to increase voice usage on mobiles:

- special Expression contracts offering unlimited calls to fixed phones anywhere in France after 6.00 p.m. and at weekends;
- special Emotion contracts, the first mobile talk plans offering unlimited calls to all fixed and mobile phones in France after the third minute, from 8.00 p.m. until midnight;
- at Christmas, relaunch of special Expression contracts with a 90-minute initial offer and launch of a new, unlimited Nomad recharge card, offering 40 minutes of airtime and unlimited calls to all fixed phones and Bouygues Telecom mobiles from 8.00 p.m. until midnight.

In October, Bouygues Telecom brought broadband within the reach of the general public with an innovative range of new i-mode™ services. Covering 90% of the population, they include unlimited free e-mails, instant messaging with MSN Messenger, television with TPS, music downloads and an enhanced i-mode™ portal.

The first unlimited broadband i-mode™ contract was launched, priced at €9.90 per month and two new Edge i-mode™ handsets from NEC and Samsung were proposed.

Universal Mobile

Universal Mobile has been a great success among young people, with over 360,000 customers at end-2005. A prepaid card has enhanced the range since October.

Success of TV over broadband i-mode™

Roll-out of 3G and pilot schemes

Bouygues Telecom has taken various steps since 2003 to prepare its network for the arrival of third generation technology. Half its sites in Paris and the Paris region were ready for HSDPA equipment by the end of 2005.

Since November 2005, Bouygues Telecom has been conducting tests of the HSDPA technology on an experimental network. The results of practical trials have confirmed the significant advance that HSDPA represents in relation to first-generation UMTS (R99).

In 2006, Bouygues Telecom will continue to prepare base stations for HSDPA electronic equipment (core network and radio), for which purchasing agreements will be concluded in the first half of the year.

Bouygues Telecom will conduct two trials in the first half of 2006: mobile TV (DVB-H) and a contactless application.

Mobile TV is being tested with 200 i-mode™ customers and five transmitters in Paris. The customers are offered a bouquet of ten regular channels, a special-event channel and related services.

The commercial launch of such a service will require regulatory changes, the allocation of frequencies and the definition of a business model.

In partnership with RATP, the Paris public transport operator, Bouygues Telecom is trying out a handset with a contactless function for turnstile access to the underground system. Customers can recharge their Navigo account directly from their handset. If the trials are conclusive, other contactless applications may be developed, such as payment of parking charges, access control and identification.

Subsidiaries

Réseau Clubs Bouygues Telecom (RCBT)

RCBT, the network of Bouygues Telecom stores, continued to expand, opening 36 new outlets in 2005, taking the total number to 479. RCBT tested a new modular store concept in 22 outlets during the year. Based on the principle of combining productivity with keeping close to customers, the concept will be rolled out in all Bouygues Telecom stores over the next three years.

In order to boost its retail network, improve the delivery of know-how at points of sale and enhance customer service, RCBT has decided to create a branch network alongside its proprietary and associate stores; seven branches were in operation at the end of 2005.

Stores account for 30% of new customers, 48% of renewals and over 80% of after-sales services. RCBT generated sales of €268 million in 2005.

Téléciel

Téléciel, a wholesale distributor of telecommunications products and services, coordinates a nationwide network of 1,700 sales outlets of various kinds, supplying them with handsets and recharge cards. They include independent retailers specialising in mobile phones, national and regional store chains with a wider range of activities, internet retailers and mail-order companies and vendors of prepaid recharge cards.

In mid-2005 Téléciel launched Phonéo, an umbrella brand that already has forty or so members. Phonéo is a nationwide network of independent retailers specialising in mobile telephony and multimedia. As Téléciel's partners, they are entitled to various advantages while preserving their own identity and reputation.

Téléciel reported a 9% increase in sales in 2005 to €103 million.

Bouygues Telecom Caraïbe (BTC)

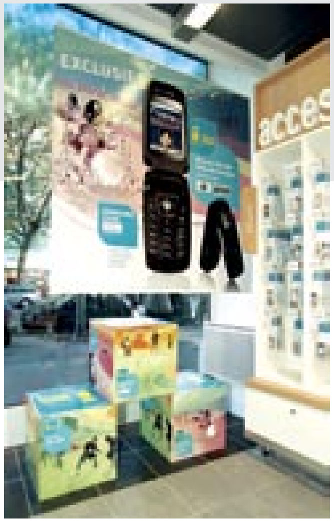
After five years, BTC has over 160,000 customers. It proposes products suited to the local market, focusing on locked contracts in particular.

Accessing the Edge network using a laptop

The product range was simplified in 2005 and two new products were launched: *Trace Mobile* and *Leader Price Mobile*. *Trace Mobile,* launched in April in partnership with Trace TV, the leading music channel in the Caribbean, combines music and telephony on the Universal Mobile model and is intended primarily for young people.

The product has increased BTC's share of the youth market (most first-time customers are young people).

Since the end of October, BTC has been marketing its prepaid "La Carte" offering through Leader Price, the leading discount store chain in the Caribbean visited by 85% of households at least once a month. BTC reported sales of €117 million in 2005.



Regulatory environment

Competition

The French competition commission *(Conseil de la concurrence)* fined the three mobile phone operators, Orange France, SFR and Bouygues Telecom, for two types of alleged concerted practice which would have restricted competition on the mobile phone market. The alleged practices were exchanging information about new subscriptions and cancellations, and engaging in behaviour that would effectively lock in their market share. Bouygues Telecom was fined €16 million on the first count and €42 million on the second. The competition commission's decision was immediately enforceable. Bouygues Telecom paid €58 million on 29 December 2005. It has lodged an appeal against the decision with the Paris Appeal Court.

Call termination on mobile networks

Arcep, the French telecommunications regulator, issued a decision on 10 December 2004 imposing an initial 17.3% cut in Bouygues Telecom's wholesale price for call termination on its network (16.3% for its competitors) and scrapping the "bill and keep" system with effect from 1 January 2005.

The decision imposed a further 24% cut in all three operators' prices from 1 January 2006.

In negotiations on a further cut to be applied from 1 January 2007, Bouygues Telecom will emphasise the need to maintain a difference between its call termination rates and those of its competitors on the grounds that cost differences justify asymmetrical regulation.

Wholesale market for access to and call origination on mobile networks

In mid-April, Arcep informed the European Commission of a draft decision under which the three mobile operators would be required to accede to reasonable requests for network access from MVNOs (mobile virtual network operators).

As the European Commission was minded to veto the proposal, Arcep withdrew its draft decision pending reassessment of its market analysis. It proposed to monitor the market until the end of 2006 in order to see whether the contracts concluded by MVNOs with Orange and SFR enabled them to intervene on the market in a

The "Club Bouygues Telecom" network includes close to 500 stores

significant manner.

Cut in wholesale prices for SMS

At the end of October, Arcep invited comments on its analysis of the wholesale SMS market, which it proposed to classify as a new relevant market, each of the three mobile operators being deemed to exercise significant market power.

The obligations envisaged by Arcep include an initial ceiling of 2.5 euro cents per SMS, with no distinction being made between the three operators.

Bouygues Telecom challenged the decision, arguing that Arcep's classification of the service as a relevant market is entirely artificial and that it applies existing regulations to the market. Furthermore, Bouygues Telecom had already referred the issue of wholesale prices for SMS call termination to the regulator in July 2005 because it had been unable to reach an agreement with its two competitors on a cut to 2.5 euro cents.

In an arbitration issued on 8 November, Arcep ultimately opted for a cut of approximately 20%, from 5.33 cents to 4.3 cents, retroactive from 1 July 2005. Bouygues Telecom applied the measure and informed Orange and

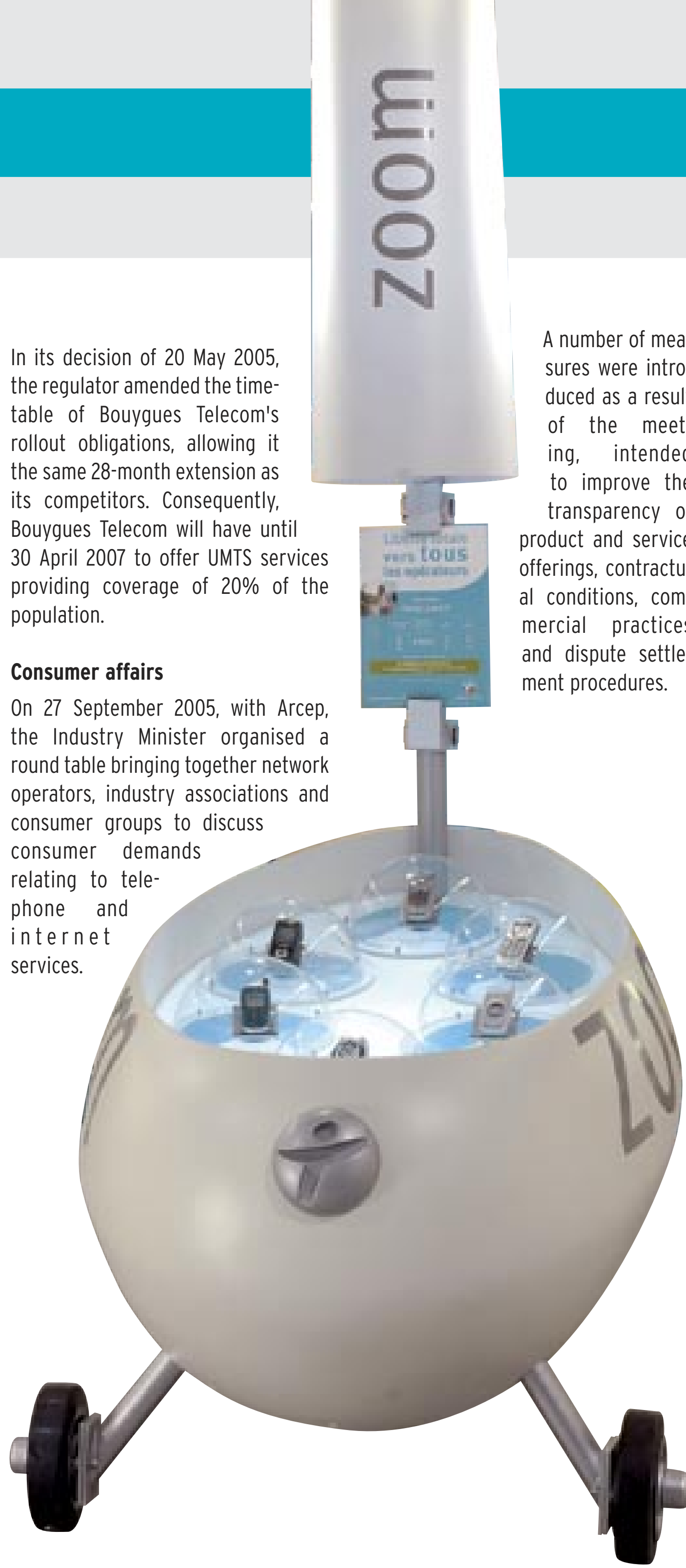
SFR of its new price.

UMTS licence

In accordance with the terms of its licence, in early 2005 Bouygues Telecom submitted a report as part of the procedure to verify compliance with its UMTS network rollout obligations two years after award of the licence.

After reviewing technological developments since 2002 and noting that the market for broadband mobile services had got off to a sluggish start everywhere, Bouygues Telecom set out its strategic choices for broadband:

- rollout from 2005, covering at least 90% of the population with the Edge technology, offering comparable performance to the current version of UMTS;
- introduction of UMTS in the much more effective HSDPA version, with coverage of 20% of the population by the time the network is opened in 2007.



In its decision of 20 May 2005, the regulator amended the timetable of Bouygues Telecom's rollout obligations, allowing it the same 28-month extension as its competitors. Consequently, Bouygues Telecom will have until 30 April 2007 to offer UMTS services providing coverage of 20% of the population.

Consumer affairs

On 27 September 2005, with Arcep, the Industry Minister organised a round table bringing together network operators, industry associations and consumer groups to discuss consumer demands relating to telephone and internet services.

A number of measures were introduced as a result of the meeting, intended to improve the transparency of product and service offerings, contractual conditions, commercial practices and dispute settlement procedures.

The following decisions were also taken:

- one-stop 10-day mobile number portability must be in place by the beginning of 2007;
- time spent on hold at call centres must be free of charge;
- cancellation times must be cut to one month and deposits must be refunded within ten days;
- contracts must not exceed twelve months, whatever the type of service.

A number of regulations putting these decisions into effect are expected.

Outlook for 2006

Bouygues Telecom aims to expand its customer base by emphasising innovative products and the quality and variety of broadband i-mode™ services.

Partnerships in specific segments, on the Universal Mobile model, may expand the range.

The tied retail network will be strengthened; stores will gradually be refurbished to offer customers a better welcome.

Bouygues Telecom will ensure continuous improvement in processes at Customer Relations Centres to maintain the high level of service quality.

The 24% cut in call termination rates imposed by the regulator from 1 January 2006 will have a significant impact on sales growth.

Net sales from network are expected to rise by 1% to €4,280 million and total consolidated sales to €4,580 million.

Plan for Bouygues SA's new headquarters at Avenue Hoche, Paris

BOUYGUES SA

The parent company of an industrial group, Bouygues SA is entirely dedicated to the development of the Group's businesses. It is the place where decisions are taken that determine the Group's activities and the allocation of its financial resources. Bouygues SA also provides the Group as a whole with a range of services.

Sales 2005
€64m
(-6%)

Operating profit
€(23)m
(-23%)

Net profit (Group share)
€261m
(-55%)

Employees
185

IFRS

A number of important events occurred in 2005.

Exceptional payout and increase in ordinary dividend

An exceptional payout of €5 per share was made to shareholders on 7 January 2005, generating a total outflow of €1.7 billion. The Annual General Meeting on 28 April 2005 also decided to increase the ordinary dividend by 50% to €0.75 per share, compared with €0.50 in 2004.

Disposal of Saur

The disposal of Saur to PAI partners was finally concluded on 15 February 2005 after the competition authorities had approved the transaction.

Under the terms of the agreements with PAI partners, Bouygues took a 15% stake in Novasaur, the company formed by PAI partners to acquire Saur. In April 2005, Bouygues sold 5% of Novasaur. The operations sold to PAI partners did not include Saur's African and Italian subsidiaries, which were taken over by Finagestion, a wholly-owned Bouygues subsidiary. Finagestion sold its interests in Italy and Mali in 2005. The contract with Compagnie Ivoirienne d'Electricité was renewed. Finagestion breaks even.

Stake in Bouygues Telecom

BNP Paribas sought to enhance the liquidity of its 6.5% stake in Bouygues Telecom. Bouygues therefore granted BNP Paribas a put, exercisable at any time between 1 September 2005 and 31 July 2007, at a price of between €477 million and €495 million depending on the date of exercise. In return, BNP Paribas granted Bouygues a call exercisable from 1 to 30 September 2007 at the price of €497 million. If the aggregate amount of dividends paid by Bouygues Telecom to BNP Paribas exceeds €4.6 million, the amount of dividends will be deducted from the prices given above. The effect of the agreement, booked on 30 June 2005, was to increase the amount of Bouygues' debt at year-end by €460 million. In return, Bouygues was able to consolidate 89.5% of Bouygues Telecom's results.

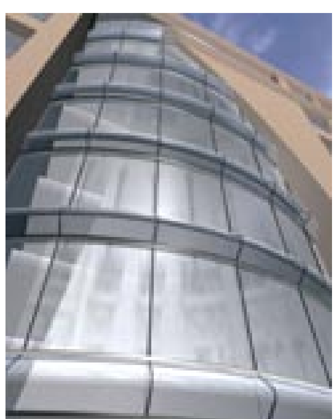
Motorway privatisation

In July 2005, the French government issued an invitation to tender for state holdings in three motorway companies. Bouygues decided not to submit a bid for the acquisition of one of the companies even though its investment capacity would have allowed it to complete such a transaction without affecting its credit rating. However, as the infrastructure is already in place, the rationale for making such a bid would have been essentially financial, which does not

correspond to Bouygues' vocation as an entrepreneur. The Group preferred to preserve its resources so that it can invest in other projects better suited to its development strategy.

Employee share ownership

At the end of 2005, Bouygues SA carried out a €250 million capital increase reserved for Group employees. 9,972,331 new shares were created for a corporate savings plan entitled *Bouygues Confiance 3*. The dilution resulting from the capital increase was limited by the cancellation of an initial 1,048,873 shares, followed by a further 7,312,776 shares, acquired by Bouygues under its buy-back programme. The estimated €30 million benefit to employees was booked as personnel costs at 30 June 2005. For accounting purposes, shareholders' equity was increased by the same amount to offset the reduction in profit.



Bond issue

On 22 July 2005, Bouygues SA launched a €750 million bond issue. The bonds were issued at a fixed rate of 4.25% per annum and will mature on 22 July 2020.

Services rendered to subsidiaries

As well as being responsible for the overall management of the Group, Bouygues SA provides a range of general and expert services to Group businesses in areas such as finance, communication, new technologies, insurance, legal affairs, human resources, etc. For that purpose, Bouygues SA concludes annual agreements with its operating divisions under which it invoices them for services rendered.

Management

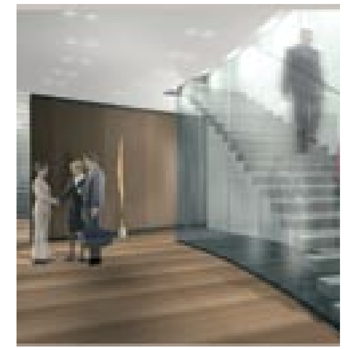
Bouygues SA pays particular attention to Group management, taking steps to encourage exchanges between support structures and line divisions, maximise the benefit of accumulated experience, provide leadership and develop team spirit within the Group.

Financial flows

In 2005, Bouygues SA received dividends totalling €260,695,128 from its subsidiaries as follows:

Bouygues Construction:	€49,977,360
Bouygues Immobilier:	€44,010,000
Colas:	€104,473,857
TF1:	€59,180,267
Other:	€3,053,644

There are no significant flows of funds between Group subsidiaries. Cash management is centralised within financial subsidiaries wholly owned by Bouygues SA. This arrangement ensures optimum management of financial expenses, since the surplus cash generated by certain companies can be used in addition to or in place of confirmed lines of credit granted by credit institutions to other subsidiaries.



RECENT EVENTS SINCE 1 JANUARY 2006

AsiaWorld Expo, Hong-Kong

Bouygues Construction

On 5 January 2006, Bouygues Construction announced that its subsidiary Dragages Hong Kong was starting to operate AsiaWorld Expo, the international exhibition centre it had previously built. The centre has 70,000 m^2 of exhibition space, including a large multi-purpose arena with a seating capacity of 13,500. Over thirty international exhibitions are already scheduled for 2006, generating sales four times higher than forecast.

On 23 January 2006, Bouygues Construction also announced that it was planning to recruit over 7,000 employees in 2006, including 3,000 in France, 20% more than in 2005.

Bouygues Immobilier

Bouygues Immobilier has won the competition to redevelop the Berge du Lac district of Bordeaux. On a 30-hectare (75-acre) site, it will build 1,550 housing units, schools, a gym and amenities for local services. 40,000 m^2 of parkland will enhance the new neighbourhood's appeal.

On 28 February 2006, Bouygues Immobilier sold its 40% stake in the Park Hyatt Paris-Vendôme hotel. The luxury hotel, redeveloped by Bouygues Immobilier, was recently ranked Europe's best and number two in the world by the magazine *Institutional Investor.*

TF1

On 6 January 2006, TF1, Vivendi Universal and M6 signed the agreement merging Canal+ and TPS announced on 16 December 2005. On 17 February 2006, Vivendi Universal announced a planned agreement with Lagardère under which Canal+ would own 65% of the new entity, Lagardère 20%, TF1 9.9% and M6 5.1%.

In early 2006, Société Générale sold its 1.4% stake in TF1 on the market. The disposal ends the shareholder agreement between Bouygues and Société Générale.

Bouygues Telecom

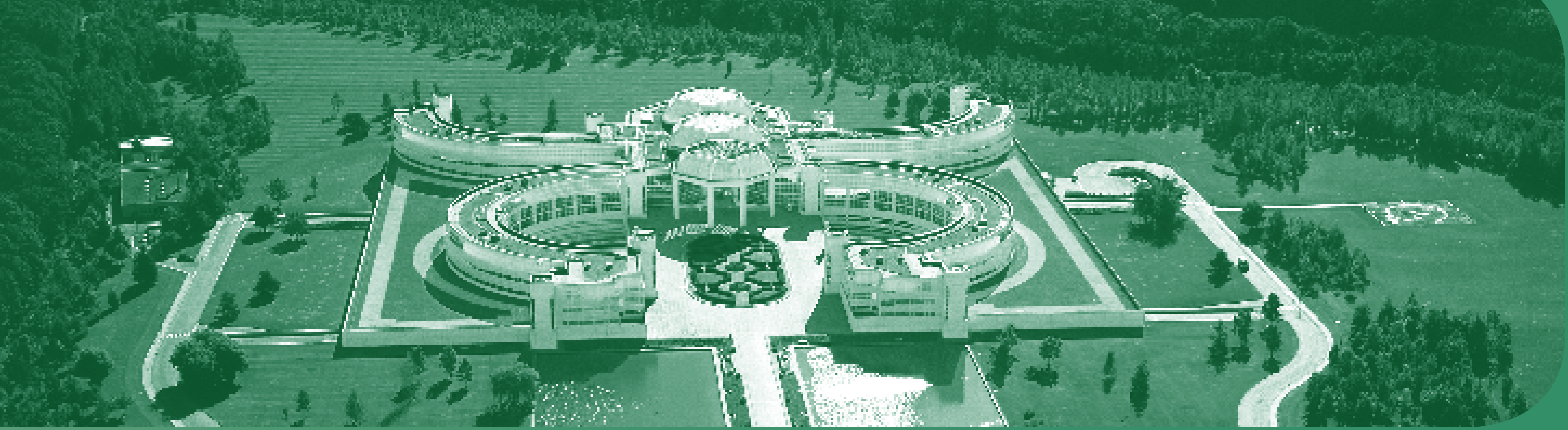
On 1 March 2006, Bouygues Telecom launched two new unlimited contracts, Neo and Exprima. With the Neo contract, customers can make unlimited calls to all fixed and mobile phones in metropolitan France every day after 8.00 p.m. They can also make calls to other countries in Europe and to North America at the same price as a call within France included in the contract. With the Exprima contract, customers can make unlimited calls to all fixed phones in metropolitan France every day after 8.00 p.m.

La Berge du lac, Bordeaux

Bouygues Telecom and TF1 have decided to conclude a licence agreement under which they will be able to propose an innovative voice and services offering in 2006 called TF1 Mobile.

Bouygues SA

In February 2006, the €750 million 15-year bond issue launched in July 2005 was raised to €1 billion under the same conditions.



Sustainable development

SUSTAINABLE DEVELO

Sustainable development division

Bouygues has already taken many steps to limit the impact of its activities on the environment, improve working conditions for staff and involve its partners in actions for progress. The aim now is to step up those efforts, rationalise them and measure their effects. A new organisation has been put in place to achieve that aim.

Olivier Bouygues, one of the two Deputy CEOs, has been given the task of coordinating the Group's sustainable development policy. A sustainable development division has been created in order to help business units share best practices, raise awareness among employees and provide training, and assist and advise sustainable development liaison staff. It also represents the Group to the outside world.

A committee made up of representatives from the five business areas and Bouygues SA met for the first time in November 2005. Two or three times a year, its members will consider sustainable development issues and the action taken in each business. The committee will also review posi-

Sustainable development is a response to the expectations of our customers and staff. In 2005, the Group chose to increase, rationalise and formalise its efforts in that direction. A new sustainable development division has been created to coordinate Group strategy, with liaison units in each business area. However, because the Group's subsidiaries face specific challenges, they have their own policies for matters relating to social and environmental responsibility.

Definition

Sustainable development is an integral part of the Bouygues group's strategy. In accordance with its culture and values, Bouygues is committed to serving its customers while assuming its social and environmental responsibilities. Applying the principle of continuous improvement and taking proactive and innovative measures, the strategies and processes of Bouygues group entities take account of environmental protection, the conservation of natural resources, improvements to living conditions, the sharing of experience, use of the best technologies, dialogue with stakeholders and their involvement in decisions that concern them.

In this context the role of Bouygues SA, the parent company, is to provide help and advice to all Group businesses as they work to serve their customers and provide them with relevant, high-quality goods and services at the best cost, while taking care to preserve the interests of future generations.

PMENT IN THE GROUP

"Our culture is rooted in respect for people and for their environment. An integral part of our long-term vision, it is expressed in the choices of a responsible entrepreneur." Martin Bouygues

tive and negative feedback relating to Bouygues and its sustainable development policy. Committee members, reporting directly to divisional CEOs, will also be expected to put forward proposals for consideration by the relevant executive committees.

A Quality Safety Environment (QSE) committee made up of QSE managers from each business holds parallel meetings to discuss measures introduced within the Group to analyse and prevent risk and consider appropriate management methods.

Support services (human resources, purchasing, IT, legal affairs) also consider how to take practical account of sustainable development in their activities. The Human Resources committee, for example, is looking at discrimination issues.

The work of the sustainable development division and the committees is explained in detail in corporate communication media available within the Bouygues group and its subsidiaries, for example *Le Minorange,* Bouygues' in-house magazine with a circulation of 50,000, *Challenger Express,* a bi-monthly newsletter for the Group's 3,500 senior executives, and business-specific intranets.

The Group's values

People are our greatest resource.

Customers are the reason for the company's existence and satisfying them is our only goal.

Quality is the key to competitiveness.

Creativity enables us to offer our customers original, practical solutions at the best cost.

Technical innovation, which improves the cost and efficiency of our products, underpins our success.

Respect for oneself, for others and for the environment inspires our everyday behaviour.

Promotion is based on individual merit.

Training gives our people the means to extend their knowledge and enhance their professional life.

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

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

Attitude is more powerful than technical and economic strength alone.

Ethics and respect

The Bouygues Management Institute, created in 1999, provides training and information to the Group's top 500 executives, and acts as a discussion forum. Its aim is to unite managers in a common commitment to shared values. Various events have been organised on the subject of ethics and respect.

Every month, 18 executives are invited to attend a seminar on "Developing Bouygues' Values". The seminar tells them about the Group's approach to ethics and helps them to draw up their own strategy for ethical action. It is also an opportunity for Martin Bouygues to answer managers' questions on the subject directly. 431 high-level executives have taken part in the seminar since 2002.

The "Respect and Performance" seminar, launched in 2005, is designed to raise managers' awareness of respect, a core Bouygues value, and what it entails on a daily basis. The purpose of the seminar is to develop a style of management conducive to exchanges and teamwork. 288 people have taken part in the seminar since it was created, including 60 high-level executives. The aim is for 1,500 employees, including 210 senior managers, to have attended one of the seminars by the end of 2006.

A new "Social and Environmental Responsibility" seminar will be launched in 2006. At each one-day session, a group of 12 to 15 managers will be able to discuss social and

SUSTAINABLE DEVELOPMENT IN

Minorange guild workers

environmental issues and best practices. Entertaining and interactive content will be used to introduce participants to the complexities of sustainable development and to the conditions for integrating it into company procedures.

A single performance assessment tool

In 2002, Bouygues SA introduced a self-assessment application called Abby which enables managers, using an anonymous voting system, to measure themselves against management practices defined by the EFQM (European Foundation for Quality Management) model. It covers the main aspects that contribute to sustainable economic, social, societal and environmental performance according to several distinct criteria. This self-assessment exercise helps to identify an organisation's strengths and areas to be improved. Over 30 Abby exercises have already been organised within the Group. A new, more interactive version of the application will be introduced in 2006 to facilitate the definition of actions for progress.

The Francis Bouygues Foundation

The Francis Bouygues Foundation was created in 2005 to help deserving high-school graduates to continue their higher education. Each beneficiary has a mentor from Bouygues and receives a bursary of between €1,500 and €8,000 a year for four to six years. 17 students were chosen in 2005, and 30 or so beneficiaries will subsequently be designated each year. The options and methods of the Francis Bouygues Foundation have been inspired by the Euris Foundation, which helps students for two years, and the Georges Besse Foundation, which supports future engineers, though the Francis Bouygues Foundation supports its beneficiaries for longer and does not impose any particular type of course. Bouygues' first groupwide charitable sponsorship initiative, it complements the schemes operated independently by Bouygues SA and the five businesses.

The Minorange Guild

The Bouygues group's growth is rooted in a strong culture that has always put people first. It is built on founding principles like teamwork, the assumption of responsibility and respect. The Minorange Guild is the embodiment of these convictions.

Created by Francis Bouygues in 1963 to recognise achievement in the construction trades, it now has 906 members in 17 orders. On-site, guild workers promote the values of compliance with safety rules and best practice, work well done, fraternity and loyalty to the company. At Colas, the "Compagnons de la Route" guild is based on the same values.

Activities in Africa

Finagestion, a Bouygues subsidiary, has taken over Saur's activities in Africa since the company was sold to PAI, an investment fund, in 2004. Several actions relating to social and environmental responsibility have been carried out. In Côte d'Ivoire, CIE (Compagnie Ivoirienne d'Electricité) set up an in-house AIDS committee in 1991 to combat the spread of the disease. A partnership has been established with the Ivorian government's National AIDS Programme and the department of infectious and tropical

THE GLOBAL COMPACT

Two Group companies (Bouygues Telecom and Colas) participate in the UN's Global Compact, an initiative set up in 1999 to support 10 principles of best practice. Bouygues Immobilier is due to sign up in 2006.

The 10 principles of the Global Compact

Human Rights

Businesses should:

1 support and respect the protection of internationally proclaimed human rights in their sphere of influence;

2 make sure that they are not complicit in human rights abuses.

Labour

Businesses should uphold:

3 freedom of association and the effective recognition of the right to collective bargaining;

4 the elimination of all forms of forced and compulsory labour;

5 the effective abolition of child labour;

6 the elimination of discrimination in respect of employment and occupation.

Environment

Businesses should:

7 support a precautionary approach to environmental challenges;

8 undertake initiatives to promote greater environmental responsibility;

9 encourage the development and diffusion of environmentally friendly technologies.

Anti-Corruption

10 Businesses should work against all forms of corruption, including extortion and bribery.

diseases at the Treichville teaching hospital in Abidjan.

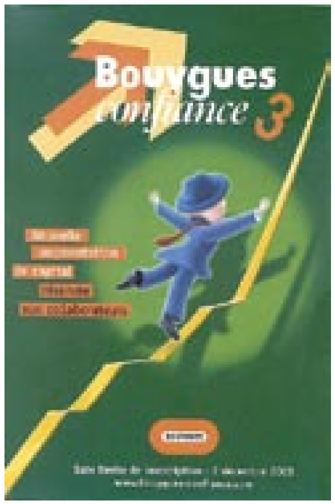
Under the terms of the partnership, sick employees nationwide are monitored free of charge and provided with anti-retroviral drugs. In Senegal, in January 2005 SDE (Sénégalaise des Eaux) signed a corporate HIV charter under which the company undertakes to inform employees about anonymous testing and to organise information meetings about HIV/AIDS.

Bouygues SA's new headquarters

From design to delivery, Bouygues SA's new headquarters at 32, avenue Hoche in Paris is being built according to HEQ (High Environmental Quality) principles, which involve meeting 14 targets in various areas such as insulation, waste management, choice of materials, etc. The new building has scored "fair" on two criteria, "good" on nine and "excellent" on three. For example, the design provides for 400 sq. m. of landscaping and a plant wall, regulation of the ventilation according to the number of people in the building, large bay-windows to provide plenty of natural light and the use of absorbent materials (fitted carpets, false ceilings, etc.) to improve sound insulation.

Employee share ownership

Almost 25,000 employees subscribed to *Bouygues Confiance 3,* a capital



increase reserved for the employees of Bouygues' French companies. It was the third scheme of this type after *Bouygues Confiance* in 1999 and *Bouygues Confiance 2* in 2001. A corporate savings plan with matching contributions from Bouygues, launched in 1990, is still available to employees, who now own 13.3% of Bouygues' share capital and 17.5% of the voting rights. This makes them Bouygues' second largest shareholder group, and Bouygues the leading French company in the CAC 40 index in terms of employee share ownership. With the aim of further improving the Group's social policy, since the beginning of 2006 Bouygues has also offered employees a supplementary pension savings scheme under which the company makes matching contributions ranging from 50% to 20% of amounts paid in, up to a maximum of €1,000 a year.

Measures against discrimination

In consultation with the High Authority for the Fight against Discrimination and for Equality (HALDE) chaired by Louis Schweitzer, Bouygues businesses are seeking practical ways of doing more to combat any form of discrimination within the Group.

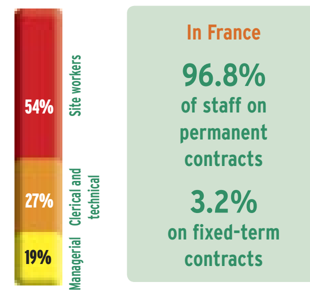
Sporting Association

The ASM (Association Sportive du Minorange) was created in 1969 with the aim of increasing well-being and team spirit among employees. It now has over 1,000 members in 21 sections, a 40% increase in membership over the last five years.

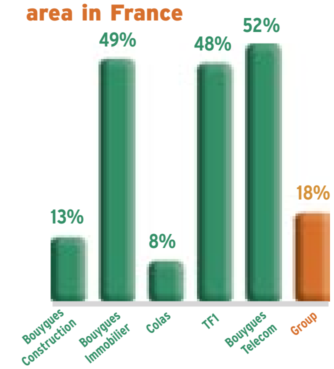
900 employees from throughout the Group took part in a wide range of sporting events in 2005, including running and skiing competitions, the Colas Golf Cup and a 24-hour go-kart race.

115,441 employees (at 31/12/2005)

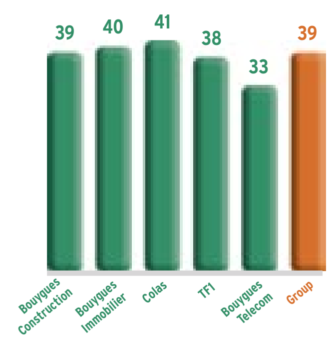
Professional status



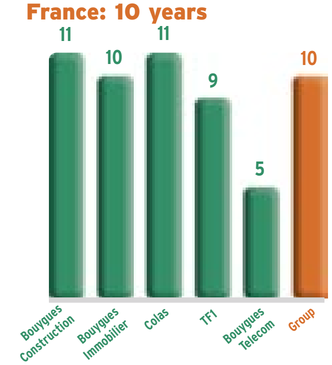
Proportion of women by business area in France



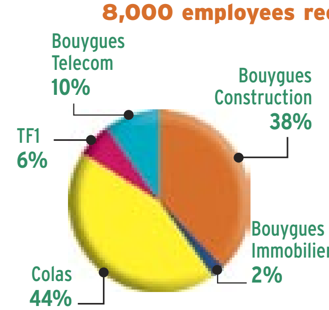
Average age in France: 39

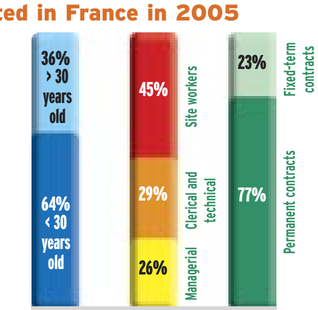


Average length of service in France: 10 years



8,000 employees recruited in France in 2005





BOUYGUES CONSTRUCTION

EDITORIAL

THE CHALLENGES FACING BOUYGUES CONSTRUCTION

by Yves Gabriel, Chairman and CEO

It is fundamentally important for a company like ours to reconcile the demands of financial profitability in our growth model with the social, societal and environmental impacts of our activities. The fact that Bouygues Construction builds infrastructure, facilities, amenities and dwellings that leave a lasting mark on our living environment means that sustainable development is central to our strategy.

The challenges we face

Our activity has major environmental impacts. We clearly have a contribution to make to limiting the consumption of natural resources and energy, and hence to the fight against global warming. We also have a duty to keep nuisance from our construction sites to a minimum and to ensure that our works blend into their environment.

Because working conditions in our business sometimes raise safety and stress-related issues, we have to not only ensure our workers' health and safety but also offer them training and career development opportunities. In addition, as an international firm, we aim to help raise social standards in our industry in the countries where we operate.

Creating value

I am convinced that Bouygues Construction has an important role to play in all these areas. Our commitment to sustainable development, which is valid for the long term, creates value for Bouygues Construction and for all our stakeholders.

By limiting the consumption of raw materials and the disposal of waste and by improving the energy efficiency of our buildings, we cut costs both for ourselves and for our customers. The demands of the environment and society stimulate our capacity for innovation and cause us to see our activity in a new light. Our commitment also contributes to risk prevention, and hence to the preservation of our image.

We also create value through our capacity to fulfil the expectations of all our stakeholders. Our staff, our customers, our financial partners and society as a whole are increasingly sensitive to ethical concerns and preservation of the environment.

Taking a structured approach

Many of our initiatives, from the framing of an integrated Quality Safety Environment policy to solidarity actions, are designed to address these issues.

In addition to such initiatives, I have decided to structure our approach throughout all Bouygues Construction's businesses by integrating it fully into our development strategy. Senior management will define a common core of requirements in 2006 which will then be implemented in each entity in the form of operational targets. The attitude expressed in our corporate slogan *"Building solutions for a demanding world"* will never have been truer.

The major challenges facing Bouygues Construction

The major challenges we face derive from the specific features of our businesses and the countries in which we operate.

Social and societal issues

Workplace health and safety

The construction industry is exposed to the risk of accidents. In France, for example, the risk of death is three times higher than the average for other industries. But workplace accidents are not inevitable. Our objective at Bouygues Construction is to seek to eliminate accidents altogether, among both our permanent and temporary staff.

Training and the use of apprenticeship as a means of entry into employment

Skill levels in our businesses are rising steadily due to growing demands for quality and safety and the use of increasingly sophisticated equipment.

It is vital for Bouygues Construction to implement ambitious training policies to ensure that its workers continue to be employable.

The construction industry, currently creating a large number of jobs, is also well-placed to help young people without employment or in social difficulty to enter the labour market, especially through apprenticeships, which are used extensively in our entities.

Helping to raise social standards

We sometimes operate in countries where social standards are much lower than in OECD countries.

We have an opportunity to help raise those standards by applying our human resources policies to local staff.

Environmental challenges

Blending our worksites and projects into their environment

Local residents and associations and local authorities are highly sensitive to site nuisances, such as noise, waste, visual pollution and repercussions on ecosystems, which directly affect the firm's image.

To limit them, Bouygues Construction takes measures ranging from self-placing concrete to work schedules adapted to suit the needs of the neighbourhood.

Global warming

Bouygues Construction contributes to the fight against global warming by limiting carbon dioxide emissions, using plant that is more fuel-efficient or uses alternative fuels and constructing buildings that consume less energy.

Uncoupling growth from the consumption of resources

The depletion of natural resources is a major challenge for our businesses, which consume considerable amounts of raw materials like aggregates and gypsum and processed products like steel and cement.

To preserve these resources, we seek sourcing solutions that take such factors into account, including proximity to sites and the quality of local resources. In addition, in response to European and French policies for reducing landfill waste disposal, we will have to invest in recycling and handle the possible dismantling of some of our constructions.

Our action in the economic sphere

Our activities create large numbers of jobs, both directly and indirectly through our sub-contractors, who account for almost half our output. We have therefore chosen to illustrate our economic responsibility from the standpoint of employment.

A major contribution to employment

At end-December 2005, Bouygues Construction's businesses represented 38,500 direct jobs. In France, over 95% of employees are on permanent employment contracts. Bouygues Construction expects to fill 7,250 posts throughout the world in 2006. 3,000 people will be recruited in France, 20% more than in 2005, creating a total of 1,000 net jobs.

Bouygues Construction contributes to the development of the countries in which it operates through a proactive policy of employing local site workers and managers. Some subsidiaries, like Dragages Hong Kong, Dragages Singapore and Bouygues Thai, have only a handful of expatriates in a workforce of several hundred employees.

Even-handed relations with sub-contractors

We pay particular attention to the quality of partnerships with our sub-contractors in order to integrate them into our actions for progress, such as method plans, risk analysis and procedures.

For example, the PIST (Sub-Contractor Partnership and Engineering) project launched in 2005 by the residential housing division of Bouygues Bâtiment Ile-de-France is designed to promote engineering in sub-contracted packages. Partner sub-contractors join company staff in study groups to define processes for each trade with the aim of improving productivity, safety and quality.

In 2006, Bouygues Construction will continue the company-wide process of involving its partners, whether sub-contractors or suppliers, in its QSE planning.

Continuous progress

In *Vision & Performance,* a corporate plan launched at the end of 2002, Bouygues Construction embarked on a continuous progress approach, involving actions such as increased on-site productivity, common purchasing for almost all group entities, knowledge-sharing, R&D and innovation.

In addition to the benefits to the firm and its customers, the purchasing policy contributes to efforts to preserve the environment, in particular by seeking to reduce fuel consumption. The purchasing department has also cooperated closely with the occupational health service on the choice of products used by employees, leading for example to resin adhesives being dropped from the approved list.

This approach complements the quality plans implemented in our subsidiaries, which increasingly integrate the extended firm concept, including sub-contractors and suppliers in our actions for progress. Crowning these efforts, operational units generating 94% of our sales have been awarded ISO 9001 certification.

BOUYGUES CONSTRUCTION


Enhancing training

Our action in the social and societal sphere

The attention paid by Bouygues Construction to its employees and to local residents is fundamental to our policy of social and environmental responsibility.

Paying attention to employees

Our long-term success is founded on the know-how, skills and mindset of our staff.

Integrating employees

Bouygues Construction values apprenticeship as an essential factor of integration. Young people attending the Gustave Eiffel apprentice training centre, created by Bouygues Construction in 1997, are able to obtain a vocational qualification endorsed by a diploma. Apprentices are trained jointly by an apprentice master and staff at the Centre.

135 young people in training served their apprenticeships in Bouygues Construction companies in 2005. We gave a commitment to enhancing the scheme by signing a charter with the public authorities in November 2005, and many agreements exist with specific structures. 300 apprentices are currently in training in our French subsidiaries.

Bouygues Construction also recruits vigorously from elite universities, specialist institutes and vocational high schools, organising forums, conferences and other events like the Bouygues Construction Challenge. The firm offered 1,524 internships and 50 voluntary overseas placements to students in 2005. As a matter of policy, it is in favour of subsequently offering interns a position.

Outside France, priority is given to integrating local staff and tracking their careers in order to enhance their value to the company and entrust them with managerial responsibilities as appropriate.

Increasing employability

Our human resources policy aims to make staff increasingly employable as they work in the firm, by increasing their skills and ensuring appropriate career management. Various career options have been introduced to put flesh on the bones of this policy, in areas such as support services, project management, etc. Three aspects illustrate the policy: training, mobility and the Minorange Guild.

Training

Bouygues Construction spent €21.6 million on training in France in 2005, representing 3.67% of the total payroll. Entities offer staff both general training and vocational courses to support their professional development, such as managerial courses, the "Sales Campus" for salespeople and "springboard" courses for supervisory staff.

One of the distinctive features of our approach to training is the mentoring of newly recruited site workers, practised in most structures. Mentors help young people to define their professional ambitions and play an essential role in passing on knowledge.

Mobility

Geographical and career mobility has always been one of the main pillars of our human resources policy, fostered by complementarities and synergies between Bouygues Construction entities and within the Bouygues group as a whole. Staff need to be properly informed if they are to take advantage of the opportunities for mobility, and information is provided by human resources managers, divisional managers and specific intranet tools.

331 employees of Bouygues Entreprises France-Europe, representing 4.5% of the workforce, were able to benefit from mobility opportunities in 2005.

Minorange Guild

The Minorange Guild, created by Francis Bouygues in 1963, currently has almost 900 members (out of 8,500 site workers in France) and aims to recognise the best site workers, exemplary in their transmission of knowledge to young people, safety, fraternity, solidarity and respect on-site. Guild members must meet these exacting requirements on a daily basis and continued membership can never be taken for granted. Another aim of the Minorange Guild is to involve site workers in the conduct of the business and open up a direct channel for dialogue with senior management. The guild has inspired similar organisations in other countries, such as the Atlas Guild in Morocco, the Dragon Guild in Hong Kong and the Maestros de la Construcción created in Cuba in 2005.

Health and safety

The accident rate at Bouygues Construction is now five times lower than the average for the construction industry in France (permanent and temporary staff alike), though this achievement should not stop us from being vigilant at all times (see diagram p.59).

Encouraging results

Comprehensive health and safety management has enabled Bouygues Construction to maintain its performance levels and confirm its lead-

Mentoring at Pertuy Construction

Volunteer mentors (professionals acknowledged by their fellow-workers) agree to develop their teaching faculties with the aim of welcoming, training, informing and guiding young people in the firm. They attend a 28-hour training course, dispensed in two 2-day sessions. 33 mentors from Pertuy Construction have been trained in two years to follow up the twice-yearly intake of young site workers hired on skill formation contracts.

ing position in this area. While the accident frequency rate remained stable in 2005 at 11.5, the severity rate improved to 0.5, compared with an average frequency rate for the construction industry in France of 56 and a severity rate of 3.24[1].

Efforts in 2005 focused on reducing the number of accidents suffered by temporary staff, resulting in an 18% reduction in the frequency rate for that category. Training and pre-selection are now compulsory when temporary staff are recruited.

Several awards have hailed Bouygues Construction's achievements in the realm of safety:

- Bouygues Travaux Publics won a Gold Award for the LDB 201 project in Hong Kong in a safety competition organised by the Labour Department;
- Dragages Singapore was awarded the best safety performance by the Labour Department for the Savannah Park Condominium;
- Quille, a subsidiary of Bouygues Entreprises France-Europe, came second in a national safety competition for general contractors in France in the safety and management implementation category;
- DTP Terrassement won an award for a safety film in the safety competition organised by the Fédération Nationale des Travaux Publics.

Greater emphasis on prevention

Bouygues Construction established a Prevention, Health and Safety Committee in 2000. It helps to define broad guidelines relating to the overall management of workplace health and safety. Consisting of QSE officers from across the group, the committee meets quarterly to share experiences and best practices.

Best practices include:

- information (posters, intranet, video), awareness and training actions on all sites, including "toolbox" meetings on sites outside France and regular health and safety meetings with site workers on sites in France;
- an ergonomic approach to workstations. Managerial and supervisory staff at Bouygues Travaux Publics have been involved in analysing risks connected with workstations, including ergonomics. In 2005, in order to reduce the risk of accidents, GFC Construction and DV Construction commissioned psycho-ergonomists to analyse how site workers perceive safety messages and put them into practice;
- vigilance with regard to the use of high-risk products, through systematic identification, a ban on dangerous products and recommendations for products that pose a health risk. Bouygues Bâtiment Ile-de-France, for example, has banned certain form oils;

Safety training on a worksite in Asia

Innovation at the service of safety

By sharing experience and research, DTP Terrassement, Bouygues Travaux Publics and the Plant consortium have been able to explore technical options for reducing the number of accidents linked to the difficulties of driving earth-moving machinery, especially in reverse. The innovation consists in coupling an ultrasound radar detection system with a video camera. When the radar detects an obstacle, an audio signal alerts the driver, who can then view the obstacle on screen.

- road safety campaigns, like the one organised by Bouygues Entreprises France-Europe to increase employee awareness of the need to comply with the rules of the road, using videoconferences, driving courses for those involved in repeat accidents, breathalysers and the installation of cruise control devices;
- targeted health initiatives. Sogec, an ETDE subsidiary in Côte d'Ivoire, has created an AIDS committee to combat a scourge that affects 10% of the country's population. Amongst other measures, the committee carries out information campaigns for employees.

(1) Data from the Caisse Nationale d'Assurance Maladie des Travailleurs Salariés (CNAMTS)- 2003


ETDE focuses on integrating its equipment into the environment

BOUYGUES CONSTRUCTION

Ongoing process of OHSAS 18001 certification

22% of Bouygues Construction's operational units had obtained OHSAS 18001 certification by end-2005 (58% of sales was thus generated by certified entities) compared with 14% in 2004 like-on-like. The proportion is expected to rise to 30% within two years.

Favouring entry into the workforce and fighting discrimination

Our entities have carried out a number of initiatives to encourage employment and combat discrimination.

- In 2005, DTP Terrassement renewed its partnership with the Ile-de-France regional council and several public job-seeker and training organisations to enable 25 young people to train as plant drivers and mechanics. 24 were offered jobs and 22 were hired.
- On the Tahiti hospital site, ETDE took on 44 trainees on sandwich courses provided in partnership with local professionals and job-seeker and training organisations. The trainees obtained their diplomas in November 2005 and 30 of them have since joined ETDE permanently.
- Helping disabled people to find employment, Bouygues Bâtiment Ile-de-France is a partner of a guide published by the Secretary of State for the Disabled that provides information and advice on how ordinary people should behave towards people with disabilities. The firm is carrying out an initiative to raise awareness of the issue among staff.
- In 2005, GFC Construction signed a diversity charter with the city of Lyon and a local non-profit organisation that aims to favour diversity through recruitment and career management.

Paying attention to local residents and communities

Our action during the design and construction of a project is based on three priorities: consultation, minimum site nuisances and communication.

Consultation with local communities

Consultation procedures in France are laid down by law and Bouygues Construction complies with all its statutory requirements. However, initiatives are taken on the ground that go well beyond what the laws and regulations require.

- Over 90 meetings were held over a six-month period in the different communities affected by the route of the A28 motorway stretch between Rouen and Alençon.
- A process for dialogue with all local residents was launched when the housing division of Bouygues Bâtiment Ile-de-France embarked on a housing project in Saint-Cloud. A site installation plan was drawn up jointly to take into account aspects such as school hours, access, cleaning, parking, etc.
- In countries where regulations on consultation do not exist, voluntary initiatives are taken. When a motorway was built in Jamaica, fishermen's dwellings were moved rather than simply demolished, as the initial plan had called for.

Keeping site nuisances to a minimum

The company systematically seeks to keep site nuisances like noise, dust and traffic to a minimum through measures such as an environmental checklist and site installation plan, and software to model noise propagation so as to keep plant noise down. Noise levels were reduced to 70 dB within a radius of 50 metres of the site during the construction of a motorway in Jamaica.

Communication with local residents during construction work

Our companies make every effort to communicate with local residents and maintain good relations during construction work. Measures that are becoming increasingly widely used include freephone numbers for recording calls from local residents and sound nuisance impact studies for sensitive sites in urban environments.

Reducing noise

On the "Villa du Lac" site at Divonne-les-Bains, GFC Construction (Bouygues Entreprises France-Europe) eliminated the noise resulting from the use of vibrating needles by using self-placing concrete that does not need to be vibrated.


A28 motorway, France

Bouygues Bâtiment Ile-de-France, for example, sets up a system on all sites for keeping abreast of local residents' expectations and demands. The system includes a site telephone number, a freephone number and a complaints book.

Community action and sponsorship

Our companies carried out numerous operations to show their solidarity with communities in difficulty, in many cases linked to our businesses and our projects.

- In the context of a road-building project in Cameroon, DTP Terrassement provided a school to accommodate 300 children from villages around the Ngai Toukoulou life base.
- After the ravages of the tsunami in Asia, Bouygues Thai rebuilt a new school for 400 pupils at Baan Nam Khen, co-financed by Bouygues Construction, in a record nine months. The school comprises 24 class-rooms and a new multi-purpose building.
- ETDE embarked on a solidarity sponsorship programme in 2005 and selected a project which involves installing six solar- and wind-powered systems to provide electricity to schools and hospitals on Nicaragua's Caribbean coast, a region where 80% of the population is without power.

Mother and Child hospital, Kabul

- The Mother and Child hospital in Kabul, financed by Bouygues and public donations, was delivered on 16 February 2005. Designed and built by Bouygues Bâtiment International, the hospital with its up-to-the-minute facilities is the only one of its kind in Afghanistan.

In addition to these operations rooted in our businesses, Bouygues Construction is also involved in preserving the cultural heritage and has become a sponsor of the Louvre Museum. It is funding the refurbishment and installation of galleries housing the museum's collection of Near Eastern artefacts from the Late Antiquities period.

Our action in the environmental sphere

We are stepping up our environmental policy in order to limit environmental impacts throughout the entire life-cycle of our projects. A number of initiatives along those lines have already been taken.

Design

Our approach is to favour the development of ecological alternatives at the design stage in order to reduce the environmental impact of our projects during construction and operation.

A genuine capacity for innovation and R&D

As part of its Research & Development programme, Bouygues Construction is exploring several avenues around the theme of sustainable construction. They include using an intranet site to share environmental knowledge within the group, innovation in thermal, energy-conscious engineering and analysis of the regulatory and certification context. Research is also being done to optimise the overall

Baan Nam Khen's new school, Thailand

BOUYGUES CONSTRUCTION


Street-lighting system in Lille (France)

cost of our operations during the construction and maintenance phase, including the environmental dimension. Technical guides have been prepared for the purpose in three sectors, namely hospitals, prisons and motorways.

We are also taking part in research programmes in partnership with other firms in the industry to help improve the environmental performance of our constructions. For example, with Rhodia and Lafarge we have developed Ductal®, a type of concrete which enables savings to be made on materials for equivalent functional characteristics. Bouygues Entreprises France-Europe is taking part in Revival (Retrofitting for Environmental Viability Improvement of Valued Architectural Landmarks), a European research project seeking to limit greenhouse gas emissions in the building sector. The group is an active member of the "Business and Sustainable Construction" committee, which brings together a dozen large firms with the aim of improving their knowledge and practices in that area.

Our capacity for innovation is also reflected in the ecological alternatives we offer our customers. For the port of Tangier, Bouygues Travaux Publics offered an ecological alternative that reduced the quantity of materials by using a breakwater made up of precast concrete caissons rather than a traditional solution using rubble and rockfill, thus keeping the encroachment on the marine environment to a minimum.

HEQ expertise

Bouygues Construction, through a number of its subsidiaries, has acquired expertise in the HEQ (High Environmental Quality) approach, the aim of which is to design and build healthy and comfortable buildings that consume little energy. Elan offers technical assistance in HEQ both to clients and to construction firms.

Limiting impacts on the environment

We make sure that specific features of natural environments are taken into account at the design stage of our projects. On the A28 project, for example, trees that provide a habitat for the hermit beetle were moved, while on the A41 motorway project a special crossing was built to preserve the habitat of the white-clawed crayfish.

We also attach great importance to analysing residents' lifestyles when tendering for contracts. ETDE won a street-lighting contract with the city of Lille partly because it had given consideration to the way local inhabitants live (by providing special lighting in small yards between houses where people tend to congregate) and was able to offer them a real improvement.

■ Construction

Environmental site management based on strong QSE® principles

In the first quarter of 2005, Bouygues Construction defined a common core of QSE® (Quality, Safety Environment) requirements, now implemented in the entities. They include the preparation of a plan, designed to encourage staff to integrate the QSE® dimension throughout the project lifecycle, from sales to works.

As part of the QSE® approach, Bouygues Bâtiment International is developing a matrix of environmental actions, designed to define minimum environmental standards to be met everywhere in the world.

Activities generating 36% of Bouygues Construction's sales had been award-


QSE-compliant project at Divonne-les-Bains

Private Construction QSE® plans

The Private Construction division of Bouygues Bâtiment Ile-de-France draws up a QSE® plan for each of its sites and for its agencies, covering three main principles: energy saving, waste management and neighbourhood relations. AFAQ, the French quality certification body, has recognised the approach as being pragmatic, practical and economical and has encouraged the company to continue its efforts.

ed ISO 14001 certification at end-2005, a proportion which is expected to double over the next two years.

Clean sites

In France, as at many of our sites elsewhere, steps to improve installations and equipment are taken with the aim of reducing waste and pollution risks. They include:

- retention tanks for the storage of pollutants,
- settling tanks for water used to wash out concrete mixers,
- spraying water to prevent dust clouds,
- provision of a catalogue describing the environmental impacts of plant and equipment.

Simone Veil school at Asnières (Paris region), managed by Exprimm

Raising environmental awareness

To ensure that these measures are properly implemented, Bouygues Construction trains site supervisors and workers in the everyday reflexes needed to protect the environment, through guides, handbooks, environment kits and specific training courses.

Lifecycle issues

Improving the ways in which our constructions are used and managing the end of their lifetime are two important aspects of our sustainable development policy in the future.

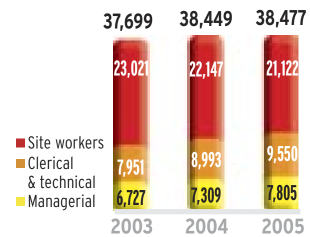
Our facilities and concession management activities mean that we have to look for innovative solutions to minimise the environmental impact and maximise the benefit to society of our projects while they are in operation, whatever our contractual commitments. For example, Exprimm has developed an environmental procedure for the facilities it manages which focuses on reducing energy and paper consumption, sorting and recycling waste.

Total number of employees
at 31 December 2005
38,500
of which 18,800
in France (49%)

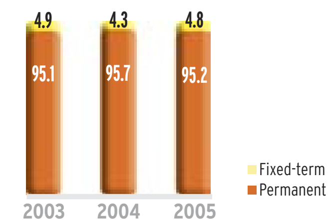
Average age:
39

Average length of service:
11 years

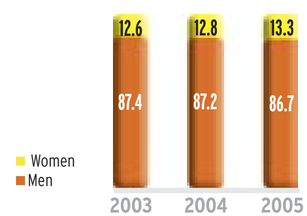
Breakdown by professional status



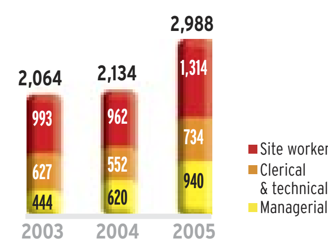
Breakdown by type of contract in France (%)



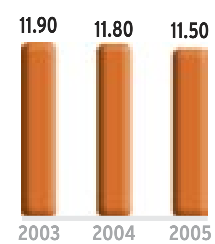
Breakdown by sex in France (%)



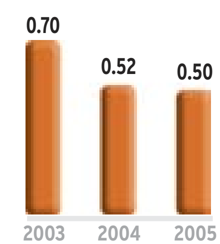
Recruitment by status (France)



Accident frequency rate (France)



Accident severity rate (France)



BOUYGUES IMMOBILIER

EDITORIAL

THE CHALLENGES FACING BOUYGUES IMMOBILIER

par François Bertière, Chairman and CEO

Respect for the environment is an intrinsic part of Bouygues Immobilier's business. In many communities we help to requalify land, for example when we redevelop a derelict industrial site or an inner city area. More than just housing, offices and shops, we aim to build our customers a genuine living environment.

We have organised ourselves to anticipate future risks. Before each operation, we take particular care to analyse the soil and the environmental impact of our developments. The establishment of a new Research and Development department will also help us to come up with innovative and environmentally friendly solutions. We passed an important milestone two years ago when we started implementing our "AgirVert®" (Act Green) environmental scheme in a number of projects. The scheme prefigures the "Habitat and Environment" and "High Environmental Quality" certifications for residential and commercial developments respectively.

As a contracting entity we play an important role in the social aspects of community life, since we give work to many players in the economy. We aim to optimise relations with our partners, for example by applying common purchasing policies. In 2005, we introduced quality-based referencing for subcontractors. Our long-term future also depends on integrating our employees into the company and securing their loyalty.

As creators of living spaces, our mission is to provide businesses, people, and public and private services with the buildings that suit their needs. Our aim is to help make towns and cities more human. It is therefore our responsibility to offer products for all categories of customer. As well as working on developments that are more easily accessible to first-time buyers we are also anticipating the needs of future senior citizens, seeking the best-suited solutions.

Since we listen to our customers, we are also attentive to all the stakeholders in every one of our projects, engaging in permanent consultation with elected officials, public bodies, local associations and residents. Our duty towards them, and towards our staff and shareholders, is to secure Bouygues Immobilier's growth and long-term future while respecting our values. We seek to combine financial performance with respect for business ethics by keeping the risks involved in our activities under strict control.

Reflecting this ongoing commitment, we shall soon be signing up to the United Nations Global Compact. More than just an instrument for development, it is also a source of progress for the firm. By drawing up a road map, we will set our action in the context of a comprehensive sustainable development policy. It must express our exacting demands for innovation and architectural quality. Our new logo and our new slogan are good illustrations of that strategy.

Our business

Key figures

Bouygues Immobilier has 10 regional divisions in France and 1,026 employees at 32 sites located in the Paris region, the rest of France and Europe, covering 80 cities. Over 100 staff are employed in seven agencies in five countries outside France.

At the service of our customers

As a property developer, Bouygues Immobilier's business is to design, build and sell housing, office, leisure and commercial property.

We acquire the necessary sites and carry out operations for our customers. Our ambition is to participate in the development of towns and cities and make them more human.

Quality and certification

Attentive to its customers at all times, Bouygues Immobilier organises, measures and assesses their satisfaction. Each year we carry out telephone surveys of our call centre's activity and a survey of programme operations. In 2005, customer satisfaction levels rose to 72%. These criteria are taken into account when determining the performance-related part of regional managers' pay. Concerned to ensure that its buildings are properly constructed, supervised, tested and accepted, Bouygues Immobilier entrusts the work to construction professionals. Our design offices ensure compliance with construction industry regulations, verified on-site by approved inspectors.

Bouygues Immobilier was awarded ISO 9001 certification in 1996, the first French property developer to achieve that distinction. The certification covers all the company's operations in France, Spain and Poland.

The practical benefit of this quality policy could be seen in an 8.5% reduction in insurance premiums in 2005. Following a two-year audit, the insurance company AGF concluded that our operations were well-managed in terms of the quality of construction and of partner firms, resulting in a fall in the number of reserves on delivery.

A culture of innovation

Ensuring customer satisfaction means constant innovation. That is why, in September 2005, we created an R&D department under the aegis of the central development division. It monitors societal and technological trends to help us achieve the best possible designs for tomorrow's buildings. Priorities include the launch, under a partnership, of a product for first-time home buyers. The "€100,000 house" initiative is part of a government scheme designed to make it easier for those hitherto excluded from the housing market to buy a first home.

It is also perfectly natural that Bouygues Immobilier should take steps to make its buildings adaptable. That is why we are already giving thought to housing suited to older people.

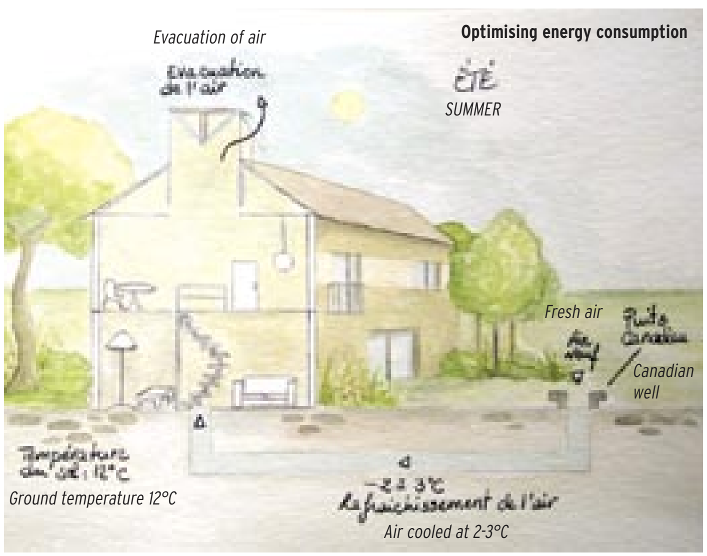
Sustainable building

Our buildings last for a long time. We are aware of their environmental impact. That is why, in addition to the architecture, we also systematically carry out environmental studies when presenting the policy of a development project.

We work on a daily basis with leading architects like Christian de Portzamparc and the American firm Arquitecnica, top design firms specialising in the environment like Tribu, and other experts, acoustical engineers and planners. They help us to build with new materials that reduce noise pollution and cut energy bills.

Our business is subject to strict planning and building regulations. As well as complying with such regulations, Bouygues Immobilier is keen to step up safety and conservation measures.

The local context is always taken into account in our projects, as is the environment into which a development will be integrated. Bouygues Immobilier ensures that this approach is backed up by dialogue with elected officials, local residents and all the stakeholders in a project.



With the aim of meeting its customers' needs as fully as possible, Bouygues Immobilier takes account of the future use of the sites it builds or refurbishes. Thus, it undertakes to optimise the acoustics and energy consumption of completed projects.

For example, a 44-unit apartment block at Obernai in Alsace was built according to bio-climatic design principles, using solar panels to produce hot water, a wood-fired boiler, a vegetated roof, rainwater run-off into the soil and external insulation. At Magny-les-Hameaux, outside Paris, 35 houses have been awarded "Habitat and Environment" certification as a result of the integration of solar panels that provide 30% of the development's energy needs and earth-connecting ventilation.

Bouygues Immobilier has embarked on several commercial and housing programmes that meet various "High Environmental Quality" (HEQ) criteria, such as rainwater recovery, solar water-heaters, renewable energy sources, solar panels, waste sorting and reduction of site nuisances, under the terms of an environmental charter with the municipality concerned. Bouygues Immobilier is at the leading edge of HEQ in projects like the Mozart development (87,000 sq. m. of office space at Issy-les-Moulineaux), on which the firm has joined forces with Arup Sustainable Design.

For its housing programmes, in 2005 Bouygues Immobilier continued its AgirVert® scheme introduced in 2004. The scheme, a guide listing best environmental practices structured around eight key themes, is intended to ensure a comprehensive overview of the various ecological impacts of a building based on HEQ principles. The eight themes, which in French form the acronym AgirVert®, are:

- developing the site,
- managing rainwater,
- integrating control of consumption and charges (energy, water, co-ownership),
- identifying materials that meet environmental requirements,
- ensuring the comfort and health of future occupants,
- insisting on a clean site,
- providing future buyers with information,
- keeping promises.

16 projects in most of our divisions have already commenced under the AgirVert® scheme.

Objectives for 2006

- To continue to anticipate environmental construction regulations.
- To further extend H&E and HEQ certification.

Terrasses Belvédère development, Cergy (Paris region)

BOUYGUES IMMOBILIER

Dialogue with stakeholders

As a committed economic partner of local social life, Bouygues Immobilier aims to enhance the environment and improve the space in which people live and work. Because its activities are central to citizens' concerns, they touch many different categories of people. Whether with our main partners, sub-contractors, customers, employees, shareholders, public authorities, civil society organisations, local residents, non-profit organisations or the media, establishing the right conditions for dialogue is an integral part of our approach.

For each programme, we engage in permanent consultation with elected officials, public bodies, local associations and residents, even if their different demands are sometimes difficult to reconcile. Issues such as above-ground parking facilities and landscaping, restrictions on neighbourhood nuisances, amenities for visitors, cycle paths and access paths for persons with reduced mobility are all discussed at meetings, conferences and press briefings.

Partner firms

Through its partners and sub-contractors, Bouygues Immobilier's business indirectly generates 30,000 jobs.

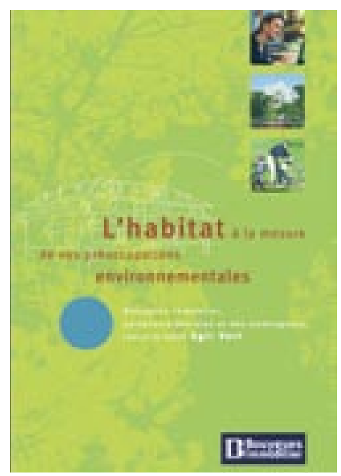
When co-ordinating partners, contractors, public authorities, design firms and other players, Bouygues Immobilier is committed to respecting social and environmental best practice.

In 2005, the firm introduced a purchasing policy under which contractors are referenced according to quality and reliability criteria. The scheme, covering five trades to date, provides a basis for creating partnerships and helping partners to make progress through action plans for improvement. By signing our Corporate Project Promise, sub-contractors commit to best practices. In return, we guarantee them a bonus if they do not exceed a certain number of reserves per construction.

Architects

Bouygues Immobilier uses nationally and internationally renowned architects for its programmes, such as Jean-Jacques Ory, Jean-Paul Viguier, Jean-Loup Roubert, Christian Devillers, Henri Gaudin and Jean-Michel Wilmotte, all people with acknowledged planning expertise. Each of their designs includes a landscaping element contributed by experienced professionals.

When sites are classified, regular consultations take place with architects from the French heritage agency to adapt building designs to the requirements of architectural protection.



Civil society

Bouygues Immobilier makes considerable efforts to communicate with the public and to explain its projects, carrying out information campaigns using hoardings, temporary sales booths and public meetings at which local associations and residents can put their point of view. The firm is highly attentive to any questions and objections brought to its attention, such as when elected officials or residents raise the question of creating cycle paths or particular amenities.

In 2005, for example, Bouygues Immobilier worked with an association that had objected to a project in Bourg-la-Reine with the aim of preventing the felling of a century-old beech tree. Bouygues Immobilier presented a new block plan to the city council. Now, despite some delay, the 22 housing units are under construction and the project has been named "Copper Beech" after the tree.

Local authorities

Whether in urban rehabilitation projects or applications for construction permits, well upstream of the project Bouygues Immobilier works closely with mayors, elected officials and a range of public authorities. Many projects are possible only because the firm goes beyond statutory requirements in a number of areas and takes steps to meet municipalities' specific expectations. Senior managers also sit on a large number of construction industry commissions and bodies, for example the City of Paris and the Fédération des Promoteurs Constructeurs.

Objectives for 2006:

- to scale local initiatives and partnerships up to national level;
- to ensure the general implementation of best practices;
- to develop architectural innovation.

Challenges of our business

The impacts and challenges of Bouygues Immobilier's business fall into two categories. The first shows how the firm contributes to sustainable building, the second highlights its responsibility to society and the environment.

Mobilising our staff

Creating jobs

Operating in a buoyant market, Bouygues Immobilier creates jobs. In 2005, growth in our housing business led to the creation of three new agencies in Lorient, Amiens and Grenoble and an increase in the size of our

teams. The workforce increased by 21% and, allowing for natural turnover, 266 new employees were taken on. Only 11 of the company's employees are on temporary contracts.

Attentive to the needs of young graduates, Bouygues Immobilier offers a number of paid internships. 18 of the students who spent time training at Bouygues Immobilier in 2005 were offered permanent jobs. Mentoring and tutoring schemes have been encouraged to help young people on the first rungs of the professional ladder. New employees are offered mentors with whom they have no hierarchical relationship in order to favour their integration into the firm and their personal development. The mentors guide their charges, above all through an induction day and two integration sessions at which Bouygues Immobilier's values and organisation are presented. On these occasions, the CEO in person sets out the firm's ethical rules and answers questions from newcomers. The policy also applies to new employees elsewhere in Europe. In 2005, for example, three Polish staff members spent several months in Paris soaking up the technical know-how and skills of their more experienced colleagues.

Encouraging diversity

The gender balance among Bouygues Immobilier's employees is 52% male, 48% female. Although the firm does not employ many handicapped people at present, it is looking at ways of improving the situation. It also has a policy of enabling older employees to continue working longer, while the mentoring scheme for new employees helps to ensure that knowledge is passed on. One member of the Human Resources staff has been specifically asked to study the question of older workers and ensuring that the right conditions for employing them are in place.

Developing skills and careers

Bouygues Immobilier has introduced effective arrangements for developing its employees' careers and providing them with continuous training.

A systematic approach to the identification and development of key skills was introduced in 2005. At once participatory, strategic and forward-looking, it aims to identify the key factors for successful performance in every position. A new annual assessment form has been produced, based on needs and skill levels. In use since January 2006, its more finely graduated skills matrices allow for more detailed and personalised assessment. Better targeted training can then help individual employees to improve their performance.

As an international group, Bouygues Immobilier offers possibilities for mobility and career development to those employees who wish to take advantage of them while also encouraging the employment of local staff. The systems we have in place enable those seeking mobility to change their job, place of work or structure, including within the Bouygues group as a whole. Our mobility code ensures that everyone is informed of vacant positions, giving them regular opportunities to express their wishes on the subject and offering them support tailored to their personal situation.

Bouygues Immobilier spent 3.18% of its payroll on training in 2005. 13,764 hours of training were dispensed to 705 employees (69% of the workforce), representing an average of 19.5 hours per employee. 1,501 training courses were taken.

In order to meet new expectations, the Human Resources division has reorganised its training policy, putting the emphasis on the transmission of know-how and the sharing of knowledge within the firm. The training courses offered by Bouygues Immobilier University are now organised into four families:

- Integration: 2 courses for newcomers
- Professional skills: 48 courses covering the full range of our activities
- Work skills: 8 courses to optimise working methods and attitudes to work
- Computer skills: 16 courses designed to improve computer literacy

Some of the courses, such as those on the environment, energy and heat or facilities for persons with reduced mobility, go beyond our statutory obligations, anticipating changes in the law and putting our employees at the leading edge of information in these areas.

Pay and labour relations

Pay scales are structured in such a way that they can be tailored to individuals while enabling all employees to share in the company's success. There are three elements to the system:

- a fixed salary equivalent to 14.3 months;
- a performance-related element for 120 employees, based on concrete and measurable targets. This element may represent up to 4 months' salary;
- a profit-sharing scheme for all employees, which may represent up to one month's salary, capped at €3,000 to favour the lower paid.

A total of €1.5 million was available for profit-sharing in 2004, payable to employees in 2005, giving an average bonus of €1,830 per person.

The quality of labour relations is a constant concern for the Human Resources division. The works council represents all the firm's local enti-

BOUYGUES IMMOBILIER

ties in France. 14 commissions met in 2005 to better identify the conditions in which employees work, considering matters such as profit-sharing, vocational training and gender equality. Four company-wide agreements were concluded with the two trade union organisations represented in Bouygues Immobilier:

- a supplement to the profit-sharing agreement,
- an agreement on the exceptional release of profit-sharing bonuses,
- an annual agreement on salaries, conditions and hours,
- an agreement on individual entitlement to training.

The vigilance of all staff and of the Health and Safety Committee contributed greatly to an improvement in the accident frequency and severity rate. Only four accidents occurred in 2005, and no working days were lost as a result.

Keeping environmental impacts under control

Involvement in rehabilitation

In order to reduce nuisance and pollution from building sites, Bouygues Immobilier includes a construction waste recycling obligation in the specifications it provides to partner firms.

Bouygues Immobilier regularly carries out operations on former industrial sites or derelict land which it first cleans up, thus helping to improve the environment.

Pollution control and prevention

In 2005, for the first time, Bouygues Immobilier experienced a major pollution incident on a site at Amiens. Although pollution control measures had been taken before construction started, the discovery of much more extensive pollution than had been originally identified meant that twenty houses had to be demolished so that the site could be completely cleaned up. The incident caused the company a severe financial loss and a one-year delay in delivering the houses. But Bouygues Immobilier put its customers' long-term interests first, explaining the situation to them and treating each case individually with regard to matters such as compensation and alternative housing. As a result of this transparency, no requests were made for sales to be rescinded.

Following the incident, Bouygues Immobilier has stepped up its risk prevention measures by systematically engaging consultants whenever it takes an interest in a site. If the consultants' report raises questions, a more detailed examination is requested and the consultants are asked to draw up a comprehensive site clean-up programme, fully optimised in technical, financial and environmental terms.

Optimising resources

Although Bouygues Immobilier's business does not produce more waste than any other administrative operation, it constantly endeavours to reduce waste production. Videoconferencing is increasingly widely used so as to cut the need for travel, limiting emissions of polluting gases caused by transport and reducing the risk of accidents as well as being cheaper and quicker.

Environmental improvements to works

Bouygues Immobilier expresses its environmental commitments in practical, day-to-day ways. That is the case with the design of its head office at Issy-les-Moulineaux, for which the firm has opted to meet the highest environmental quality standards.

Measures have been taken at the low environmental impact site to reduce pollution and optimise construction waste management and energy consumption. The building will showcase the kind of environmental quality that Bouygues Immobilier aims to achieve in its operations, including optimised rainwater management, efficient heating systems, optimised glass facades and waste recycling.

New forms of solidarity

In 2005, Bouygues Immobilier staff focused their charitable efforts on the Telethon, supporting and taking part in a cycling "tour de France". Bouygues Immobilier and its partners collected over €264,000 for the French muscular dystrophy association, making it France's fourth largest corporate donor. The event is unusual both for the extent of the participation it generates and for the amount of money it raises. Otherwise, the firm also provides one-off or regular support to various charities and good causes, such as the rebuilding of a village in Indonesia with the Fondation de France after the tsunami and a local charity for sick children in southern France. Locally and regionally, Bouygues Immobilier is closely involved in cultural events in Saint-Denis, Gattières and Aix-en-Provence, together with the firm's local staff who are generally at the origin of such initiatives.

Objectives for 2006

- To extend the performance-related pay system to other categories of staff.
- To recruit more handicapped people for sedentary work.
- To develop HEQ-label operations.

Increasing our responsibility

Our organisation

Sustainable development is a strategic matter at Bouygues Immobilier, placed under the aegis of the development and services manager. The sustainable development committee he chairs is primarily responsible for monitoring implementation of the firm's commitments on the ground.

Sustainable development actions are organised by Bouygues Immobilier's quality manager and passed on through quality officers in the regions.

The sustainable development committee puts forward action plans and reports to the general management, which analyses and directs policy in this area on the occasion of two annual strategic reviews. Representatives also take part in meetings organised within the framework of Bouygues' groupwide sustainable development committee.

Controlling major risks

Facing an increase in risks of all types, Bouygues Immobilier has identified and defined its main environmental, health, technology, media and political risks. Crisis management, damage limitation and communication procedures have been drawn up in the event of an incident, which enable the company to respond effectively and transparently.

The crisis unit can requisition the most appropriate skills for the situation. If an incident triggers a crisis, a pre-constituted team swings into action under the direct authority of the Chief Executive Officer.

Our ambition

Bouygues Immobilier has prepared its accession to the United Nations Global Compact in 2006. A voluntary scheme, the Global Compact involves promising to comply with ten principles relating to human rights, fundamental social rights, environmental protection and the fight against corruption. The firm will endeavour to put them into practice in its business operations, and has already begun to do so by choosing responsible partners.

Bouygues Immobilier intends to continue existing efforts, both with partners and internally, to implement best practice in sustainable development as widely as possible. It will make choices consistent with this strategy in all areas of its business.

Objectives for 2006

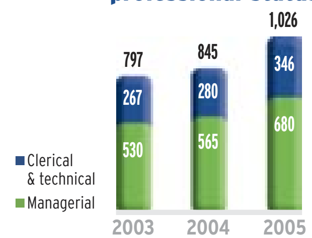
- To operate clean sites that generate as little pollution and nuisance as possible.
- To improve procurement traceability with our partners.
- To identify sources of waste and find alternatives in the firm's operating methods.

Total number of employees
at 31 December 2005
1,026 (+21%)
of which 931
in France (91%)

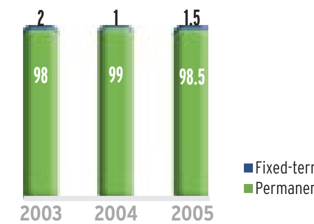
Average age:
40

Average length of service:
10 years

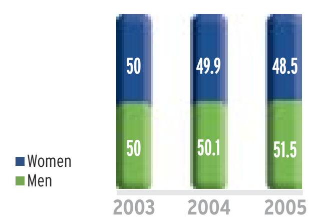
Breakdown by professional status



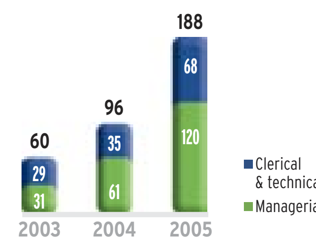
Breakdown by type of contract in France (%)



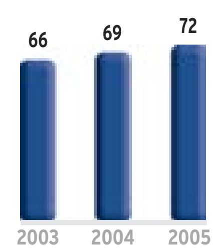
Breakdown by sex in France in France (%)



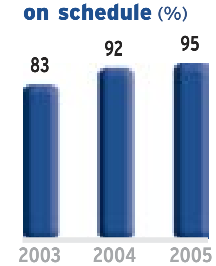
Recruitment by status
(France)



Satisfied customers
(%)



Housing units delivered on schedule (%)



Alain Dupont,
Chairman and CEO of Colas

COLAS

THE CHALLENGES FACING COLAS

Alain Dupont, Chairman & CEO, has wasted no time in laying down guidelines for action by Colas in areas such as continuous training, better working conditions, workplace safety, recycling, clean sites, QSE® certification, the development of environmentally friendly products and technologies and better road safety, now grouped together under the generic term sustainable development.

Alain Dupont has ensured that these issues are an integral part of Colas' strategy. The priorities of **human resources policy** must be to attract, hire, train, nurture, protect and retain staff. **Efforts must focus on actions to reduce or eliminate the adverse environmental effects of industrial activities,** going beyond mere compliance with the rules and regulations. **Colas has long been at the leading edge of research** intended to eliminate chemical compounds potentially harmful to the environment from its output. Systematic and regular inventories of chemical compounds used in production will be stepped up in order to promote the firm's policy of substitution and ecological design. **As fossil fuels are becoming more expensive, and as reducing global warming and the greenhouse effect has become a new objective,** efforts to save energy and use renewable energy sources have been increased and incorporated into investment plans and research programmes.

Because Colas is geographically scattered – it has over 1,200 establishments in forty countries carrying out 100,000 projects each year – management and management tools have been decentralised to subsidiaries and local units so that they can optimise their action in a local context. With a network of over 50 environment correspondents and in-house auditors, the Environment division is gradually introducing specific indicators based entirely on data that can be genuinely consolidated with a sufficient degree of reliability to enable policies for progress to be implemented, in contrast to other options which merely give that impression. These indicators will then be extended.

QSE (Quality, Safety, Environment) certification is a priority means of action to promote sustainable development.

• **Quality**. ISO 9001 certification has been systematically sought for the group's European subsidiaries, which generate 80% of sales effectively controlled by Colas. It does not correspond to the cultural and legalistic context of North America, but the commitment to quality is just as genuine there. The situation in the rest of the world is more variable: the quality approach is ill-suited to the "nomadic" conception of the business in sub-Saharan Africa, but it is being pursued in Thailand. However, quality is one of the foundations of the Colas culture everywhere, based on technical excellence.

• **Safety.** Structural measures are already in place, based on actions and indicators designed to mobilise staff. There is no need for a systematic commitment to certification.

• **Environment.** The firm's unchanged priority is to seek certification of its industrial activity in order to ensure that commitments given in operating licences are translated into action and that its management of impacts and obligations is fully visible. By the end of 2005, ISO 14001 or EMAS certification had been obtained for activities in France, Switzerland, Belgium and Denmark generating 45% of sales in the areas concerned. In the US, almost 50% of production of asphalt mixes is covered by the "Green Diamond" label, a rigorous industry certification scheme. As a result of this policy, new plant design incorporates feedback and takes full account of local residents' expectations. Seven subsidiaries have opted for total certification to date. Activities generating over 30% of sales in France and Western Europe (Austria, Denmark, Finland, Germany, Ireland, Switzerland, the UK) have obtained environmental certification.

• **Integrated QSE approach.** Two subsidiaries obtained triple ISO 9001, ISO 14001 and Ohsas 18001 certification in 2005, bringing the total to four.

• **Audit policy.** Steps are being taken to strengthen internal and external audit mechanisms with the twin aims of ensuring that they add value and incorporating their conclusions into internal control procedures.

Human resources

Recruitment, skills development, internal promotion, motivation, prevention, working conditions and modern management are the foundations of Colas' human resources policy. Taking the long-term view, the human resources policy adapts to national and local cultural factors in accordance with the legal, social and societal environment. All subsidiaries ensure compliance with fundamental ILO (International Labour Organisation) conventions.

Colas' objective is to favour a mindset based on attention and service to customers while developing a sense of responsibility and an entrepreneurial spirit within the firm. It aims to ensure that work remains meaningful, provide high-quality working conditions and cultivate close links with local economic and social life.

Recruitment to anticipate and support growth

Recruitment

Recruitment is a priority for Colas, whether young people starting out on their careers (priority is given to internal promotion) or experienced professionals, without any form of discrimination and with a single objective: to favour empowerment, autonomy and the spirit of enterprise. 5,200 new employees joined Colas in France and elsewhere in 2005, an increase of 40% on 2004.

Internships and apprenticeships

Apprenticeships and internships offer unique opportunities for students and professionals to meet each other and exchange ideas and experience. Internships are an important source of recruitment for Colas: 50% of recent graduates recruited in France in 2005 had previously spent time with the firm as an intern. Colas establishments welcomed over 2,500 young people, 600 of them outside France, an increase of 27% on the 2004 figure for France. Internships take place within the framework of agreements with educational establishments and are not intended to replace permanent jobs; remuneration is consistent with the work done. Students in their first year of higher education can expect to be paid between €500 and €1,000 a month, depending on their contribution and commitment.

Training for promotion: developing skills

By welcoming and integrating new recruits, developing skills, supporting career development and promotion and favouring professional and geographical mobility, the company's training programmes represent a genuine investment in people.

Training in France

Expenditure on training in France in 2005 amounted to 4% of the total payroll. As a deliberate choice, 50% of hours were devoted to site workers, 30% to technical and clerical staff and 20% to engineers and managers.

In a total of 14,000 training actions, almost 3,500 employees took part in some 340 scheduled sessions of "Campus Colas" modules. The school, open to all employees, provides over one third of training hours from a common core of 150 programmes covering essential knowledge and skills in all areas.

Colas University

Created at the instigation of senior management, Colas University is intended to support the career development of the company's executives. It consists of three cycles, the teaching being provided by high-level educational institutions.
- The first cycle, lasting 20 days, is a Roads Master's for newly recruited engineers, managers and senior technicians (teaching: ENPC).
- The second cycle, lasting 10 days, is intended for managers who have been with the firm for about four years and are taking up positions of greater responsibility (teaching: ENPC).
- The third cycle, lasting 12 days in three 4-day sessions, is intended for managers of individual establishments (teaching: HEC).

Colas is also greatly involved in the creation of vocational qualification certificates, a scheme run jointly by employer and labour organisations. An "urban roads and networks" diploma has been created for site workers in partnership with the firm. 36 site workers to date have been awarded the diploma. Preparations are being made for a second diploma for road surface layers.

Training outside France

The same broad training policy is applied outside France, adapted to local conditions. Specific training actions in 2005 included the following:

- Europe: in Belgium, 100 employees were trained in plant operation; in Switzerland, 36 employees were trained in sales and negotiating techniques and 11 employees in plant operation (finishers); in central Europe, training was provided in fire safety, handling dangerous materials and plant operation;
- Africa and the Indian Ocean: literacy and remedial education, health and safety for employees and their families, internal promotion of gangers and site foremen, alternating classroom/workplace training, plant operation training by an organisation from mainland France, computer literacy, office software.
- North America: an American version of the Colas University concept, adapted to North American issues and the North American workforce; grants to study in Canada (University of Sherbrooke and École Technique Supérieure, Montreal) and the United States (South Georgia Technical College).

Recognising the value in people

Colas is a company in which employees can spend their entire career, in contrast to current preoccupations like job insecurity and the need to change company in order to climb the ladder. For employees who wish to move within the group, career opportunities are offered for example via the Nomades intranet. Almost 1,100 job offers have been placed online in the last four years.

Exemplary behaviour and motivation

Wishing to honour talent and high-quality work by the best professionals because of their value as an example to others, each year Colas distinguishes site workers who achieve a very high level of professional skill by inviting them to join the Compagnons de la Route, a guild.


Work session at Colas University

COLAS

Over 800 employees have become guild members since 1993, benefiting from the specific training programme that goes with the distinction. 90 new members joined the Compagnons de la Route in 2005.

Pay

When employees start their careers, pay scales are based on their qualifications. Pay then varies according to the achievement of individual targets and the level of responsibility. Growth and good results in 2005 enabled the firm to pursue a dynamic pay policy, not least because one variable element of employees' pay is based on profits.

Gender equality

In a predominantly male industry, the number of female employees at Colas is steadily rising, in particular in support functions, for which there are more applications from female candidates. Colas has female employees in all its support divisions, including in senior managerial positions (Human Resources, Legal Affairs, Communication) and in operating units (district manager, works supervisor, site manager).

In September 1995, Colas appointed its first-ever female CEO at one of its subsidiaries, Colas Nord-Picardie.

Safety

For the last 15 years, a proactive accident prevention policy defined by the Colas Safety Charter has produced tangible effects both in France and internationally. A network of safety officers in each subsidiary and establishment and on work sites promote safety messages on common themes like the induction of new employees, the safety of temporary workers, the consideration given to sub-contractors, awareness-raising at managerial level, etc.

The group's safety officers met in Antwerp in June 2005 to exchange best practices. Targets were defined for the years to come, including a 7% annual reduction in accident frequency rates and the complete elimination of accidents entailing time off work in 50% of works centres by 2008.

Colas devotes more than half of its training programmes to the prevention of workplace accidents and occupational illnesses. First-aid training is an important aspect of the policy, the aim being to have at least one person trained in first-aid on each site.

Over 11,200 employees worldwide (almost 20% of the total workforce) have had first-aid training, including 7,200 in France (22% of the workforce). The company's objective is to ensure that 30% of the workforce are trained in first-aid by 2008.

Working conditions

The fact that Colas has won many prizes (11 in France, 12 in the United States, 3 in Canada, 3 in Ireland, 8 in Asia) is proof of the effectiveness of practical action to improve workplace safety on the ground.

Road safety programme

In 2005, at the second European Road Safety Summer School in Paris, Alain Dupont signed the European Road Safety Charter in the presence of Dominique Ristori, head of the European Commission's Directorate-General for Energy and Transport. The aim of the charter is to achieve a 25% reduction in the number of road accidents involving third parties in Colas' European subsidiaries (60 companies in 15 countries) by 2008. In France, the number of trained drivers rose from 15,300 to 18,700 in one year. Over 6,200 driving assessments and almost 3,000 post-accident reviews have been carried out since 2002.

Health in Madagascar

To make up for the lack of local healthcare provision, for several years Colas has taken measures to improve the health of its employees and their families, including information campaigns on the risks of sexually transmissible diseases and the creation of health centres on worksites, open to all employees, their families and local people. When building the "Vanilla Highway", Colas made sure that spin-offs from the project would benefit the local population, building base camps that could subsequently be put to civil use, training local staff and providing health education in the villages along the route of the new road.

Giving priority to local employment

Colas is organised in such a way that it can take action at local level by providing material or financial support. Examples of actions that offer people in difficulty access to jobs include: local partnerships under government-sponsored schemes to promote first-time employment; participation in employer groupings to help young people find first-time jobs and gain qualifications on certain projects; employment support contracts with ANPE, the French jobseekers agency, and subsidised employment contracts with ASSEDIC, the unemployment benefit agency (in La Réunion, for example); helping unemployed people back into the workforce in partnership with neighbourhood councils in New Caledonia. 32 jobseekers were given operational training in 2005.

Internal communication: promoting authenticity

Communication initiatives promote strong values of cohesion in a geographically extended group with employees from very different backgrounds, nationalities and cultures and a workforce whose rapid expansion is partly due to steady external growth. With the principal aim of encouraging staff to meet and share with each other, the sincerity of the approach helps to keep employees loyal to the company.

Some Colas conventions in 2005:

- Managers Convention: 1,215 participants from 30 countries, a high point being the reassertion of the group's intangible principles
- Workshop managers Convention: 403 participants from 27 countries
- Environment Officers Convention (France): 64 participants
- Human Resources Convention: 333 participants from 10 countries
- Safety Officers Convention in Antwerp: 55 participants from 11 countries

Environment

The Environment division continued to structure its action in 2005, whether cross-cutting initiatives with other support divisions, the establishment of consolidated global indicators or the organisation of a network of ISO 14001 correspondents and auditors. The guiding principles of the Environment division's actions are caution, scientific rigour in the use and communication of figures, risk control, continuous improvement and the proximity principle for local assessment of environmental impacts.

The environment and services to customers

Colas' primary objective is to satisfy its customers within the context of the challenges facing society as a whole. Well-designed, well-built and properly maintained infrastructure optimises the initial outlay and the consumption of resources. Infrastructure must be designed and built to last, an obvious factor often neglected because of short-term pressures or an unsuitable legal context. In France, even though the government now gives less support to innovation and hence to research, Colas has chosen to maintain its research and development programmes so that it can continue to offer new products and services adapted to its markets.

New public procurement procedures, PFI (Private Finance Initiative) projects, public-private partnerships (PPP) and long-term maintenance contracts are a first priority for meeting the challenge. For several years now, in Canada (Alberta), the UK (Portsmouth) and Hungary (M5 motorway), Colas subsidiaries have been involved in exemplary projects that enhance feedback and prepare for the gradual spread of this type of contract, whatever the country concerned.

Priorities for developing new products remain unchanged: performance, customer service and sustainable development. Particular emphasis has been placed on energy saving and reducing greenhouse gas emissions, substitution and noise reduction.

Energy saving

3E mixes (Environmental and Economical with Energy) are made at temperatures of around 115°C, 40°C lower than usual, representing an energy saving of over 10%. The asphalt is itself produced at temperatures of around 400°C, compared with around 1500°C for its traditional competitor, cement clinker. The 3E mixes were tested in France in late 2004, then in June 2005, under the supervision of government inspectors. Results were

"Vanilla Highway", Madagascar

COLAS

Vegecol overlay used at Luxembourg Gardens, Paris

Prosign, a new Colas subsidiary, the substitution champion

Prosign, which makes and applies road markings, joined the Colas group in 2005 with a solid reputation for environmental achievements. The winner of many prizes and other awards, it has developed:
- coloured products without lead derivatives,
- methacrylic cold plastics with low emissions of volatile organic compounds (VOC),
- solvent-based paints with a high percentage of solids and no toluene (30% less solvent),
- water-based products (< 5% VOC) without glycol ethers.

consistent with expectations, or even better in some cases. The products in the 3E range are therefore ready for full-scale launch in early 2006.

Substitution and ecological design

REACH (Registration, Evaluation and Authorisation of Chemicals), the new European chemicals regulatory framework, will come into effect in 2006. Some measures have already been anticipated: research has long focused on the reduction or elimination of toxic or harmful substances in products. The regulation will thus have little impact on Colas products, though it will imply even greater vigilance in all forms of purchasing.

In order to reduce dependence on oil, considerable efforts are being devoted to making products from renewable raw materials, like Vegecol, a plant-based binder. This know-how will be used to test other plant-based components or substitutes for bitumen products in 2006, probably for launch in 2007, even if oil and petrochemical products will continue to predominate.

There is strong demand for the Vegecol binder, which has won an International Road Federation prize: it was used on over 60 sites in 2005 (compared with four in 2004) and 600 tonnes of the binder were applied (under 60 in 2004). Vegecol, a genuine substitute for bitumen, is made from natural materials (plant oils and resins) and is an organic product that does not contain any harmful or toxic compounds. Translucent and colourable, it has another environmental advantage: a 30% reduction in temperatures used and hence a reduction in energy consumption and greenhouse gas emissions. Substitution also applies to products used in the manufacturing process. Thus, anti-adhesives for spreading equipment are increasingly being replaced by rapeseed oil, workshop solvents are being replaced by washing products or bacterial solutions, and less use is being made of chlorinated solvents in laboratories (consumption has been cut from 5,000 litres a year to less than 100 litres a year in Denmark, for example).

Noise

Colas has invested heavily over the last fifteen years in the development of products that reduce rolling noise (the nuisance most often mentioned by local residents) by several decibels. Noise is a genuine issue in our society.
Ten years after Colsoft, Rugosoft was awarded the European Golden Decibel prize in 2005 and a further prize at the International Road Federation Congress in Bangkok. The overlay combines very high safety levels with considerable noise absorption (7 to 8 dB).

Recycling

Recycling is another fundamental priority for action and research. The company engages in four types of recycling:

• **The incorporation of waste materials,** or raw and "secondary" materials, to give roadways new properties: it is a win-win situation for both the producer of waste or coproducts and the user. Colas has extensive experience in this field, in particular with Colsoft, a noise-reducing mix that incorporates powdered rubber from used tyres, Scintiflex, a reflective surfacing incorporating glass waste, and the Fractal anti-noise wall containing wood waste. Compogom, developed in 2005, is used to make sub-bases from ground automobile tyres.

• **The recycling of roadbuilding and construction waste.** Colas makes extensive use of recycled roadbuild-

Environment-friendly paint used for road marking

ing and construction waste. In 2005, with the Ecosol process for recycling earthwork spoil, it recycled 250,000 tonnes of ordinary materials into standardised gravel in the Paris region alone. It also re-uses asphalt pavement tops (25% in the standardised asphalt mixes used in work for the Paris city authorities), crushes demolition concrete at 18 plants in France, and recycles bitumen road surfaces on-site (Colas Sud-Ouest alone processed 300,000 sq. m. in 2005) or incorporates them into new mixes at mixing plants. This illustrates the extent to which roadbuilding materials can be recycled.

• **Substitution at equivalent quality and cost:** crushed concrete from demolition waste; power station fines, regularly used in the production of asphalt mixes; steelmaking slag, of which Screg Est processed 250,000 tonnes in Lorraine in 2005. The business risks are greater: for example, Colas had to close its Granufos slag recycling plant near Marseille and Ecoballast, a railway ballast recycling subsidiary of Seco-Rail.

• **Use of substandard materials** of poor technical quality (clinker from the incineration of household waste, foundry sand) in the public interest. Such materials are used only if they are imposed in the specifications or subsidised. For example, Colas handles over 40% of the clinker produced in the Greater Lyon region and recycled 100,000 tonnes of foundry sand in Nord-Picardie in 2005, taking care to ensure that this type of recycled material does not adversely affect the quality or durability of its works.

Overall, more than 5 million tonnes of materials are recycled in France each year, representing almost 15% of Colas' production of aggregates, the equivalent of the output of 12 quarries.

Recycling asphalt mixes: the contrast between France and the United States

Recycling asphalt mixes is standard practice in the United States, accepted by customers and steadily increasing. The figures speak for themselves: recycled products account for 13.5% of the 18 million tonnes of asphalt mixes produced each year, equivalent to the output of 18 mixing plants. Recycling is still relatively rare in Europe, especially in France, amounting to less than 5% of production at Colas, because of resistance to technological change among public sector customers. Colas Nord-Picardie has invested in a high-capacity mobile asphalt plant intended for projects using a high proportion (as much as 50%) of recycled materials.


Mobile asphalt plant with a high recycling rate, France

Meeting local needs

Colas has modernised and is now operating an 80 hectare (200 acre) industrial production plant in the heart of the Lyon conurbation, less than 10 km from the city centre. Based at Mions, the facilities have ISO 14001 and 9001 certification. They can produce 1,400 t/h of recycled aggregates, concrete and asphalt mixes, meeting up to 10% of local needs, in compliance with the principle of proximity. Local concerns have been addressed by installing external wall cladding and ending open-air storage.

Dialogue with civil society

Through its business of building and maintaining infrastructure Colas addresses a large number of societal concerns, placing the company at the centre of economic and social life.

■ Contributing to the dissemination and sharing of knowledge

Colas makes a private-sector contribution to the public and social spheres in various ways, drawing on experience acquired throughout the world over many years. As well as

Renovation of Montflanquin square, Lot-et-Garonne department, France

COLAS

contributing to public-private partnerships, joint research projects and skill transfers, it organises and takes part in conferences, seminars and exhibitions of an international, educational, professional and general nature. In some countries where Colas does not or used not to operate, it has helped with technology transfers to local authorities. For example, it has provided assistance with pavement design using thin asphalt overlays in Malaysia and Mexico and helped to overhaul a surface dressings policy in South Africa.

Taking part in local community life

In France, in addition to active involvement in a number of local employment initiatives as part of the company's human resources policy, participation in local community life mainly takes the form of sponsorship of a dozen or so cultural initiatives and over a hundred sports teams which express the Colas group's values of openness and dynamic action. Initiatives outside France are even more varied, reflecting the diversity of countries in which Colas operates, including 73 welfare projects in liaison with local NGOs, 31 cultural projects and sponsorship of a hundred or so sporting events or teams.

The World Emulsion Congress

Colas created this international scientific congress in 1993 to encourage transfers of knowledge about the physical and chemical process of emulsion, common to several sectors of activity, such as foodstuffs, bitumen, cosmetics, detergents, inks, plastics, paints, pharmaceuticals, photography, plant health, etc. The congress also attracts academic researchers. The fourth edition will be held in Lyon in 2006.

Encouraging the dissemination of ideas

This policy, managed at Colas parent company level, covers three main areas: the arts, through the Colas Foundation, which brings modern art into the workplace; human, social, economic and political sciences through the Colas Circle, which regularly invites thinkers and opinion-leaders to speak on a key subject of their choice; and the hard sciences, with the introduction in 2005 of the "Rencontres Scientifiques Colas", scientific gatherings organised in partnership with the leading science magazine *La Recherche*. Colas is also a partner of a number of high-profile events, such as the Marciac Jazz Festival and the Jules Verne centenary celebrations, with events in Nantes and Amiens.

Colas Circle speakers in 2005 included:

Patrick Légeron, psychiatrist at the Centre Hospitalier Sainte-Anne in Paris, on the psychology of change;

Catherine Wihtol de Wenden, senior researcher at the National Centre for Scientific Research, on labour immigration;

Michel Serres, author and member of the Académie Française, on globalisation;

Marcel Bozonnet, General Manager of the Comédie Française, on the Comédie Française, theatre and enterprise;

Pierre-Cyrille Hautcoeur, professor at the University of Paris I Panthéon-Sorbonne, on finance and Franco-German relations.

Three Colas Scientific Conferences were held in 2005:

Forecasting the climate, with Jean-Claude André, director of the European Centre for Research and Advanced Training in Scientific Computation, and Philippe Courtier, head of the École Nationale des Ponts et Chaussées, an elite engineering school;

Reducing CO2 in the atmosphere: geological storage?, with Christian Fouillac, head of the Geological and Mining Research Bureau, and François Guyot, head of the mineralogy department at Denis Diderot University (Paris VII);

"After forty sketches" by Carol Narino (Colas Foundation)

Nanotechnologies to support technological progress, with André De Haan, from the Polytechnic Faculty of Mons, Belgium, and Jean-Christophe Dumetz, chief executive of Nanotech SAS, Aix-en-Provence.

Risks – Exceptional events – Litigation

The management of risks inherent in its activities is a central concern at Colas and is devolved to the level at which risks can best be identified, assessed and controlled. A decentralised structure continues to be the key to the group's risk management policy. Regular exchanges have taken place over the last few years with the Bouygues group, which organises joint sessions on risk, focusing on the analysis and prevention of potential major risks. Colas does not seem to be greatly exposed to any particular major risks, given the nature of its businesses, the scatter of its establishments and the large number of projects carried out each year.

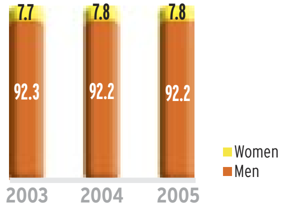
Colas takes particular care to identify and prevent recurring risks, using high-performance reporting tools to monitor incidents and analyse their causes. The fact that information is centralised means that feedback can be passed on to subsidiaries, enabling the company to take preventive measures and define best practices. Colas constantly seeks to adapt and improve its risk management procedures and incorporates this aspect into specific training courses intended for all employees.

Total number of employees
at 31 December 2005
57,800 (+8%)
of which 33,100
in France (57%)

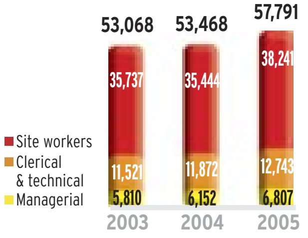
Average age:
41

Average length of service:
11 years

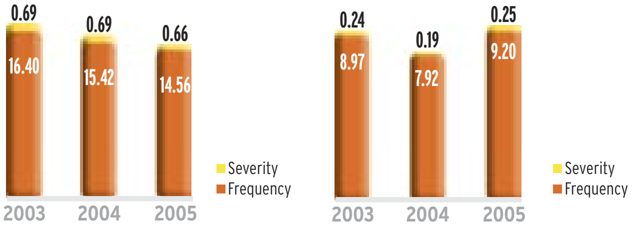
Breakdown by sex in France in France (%)



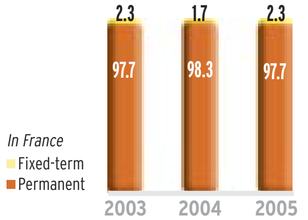
Breakdown by professional status



Trends in safety indicators

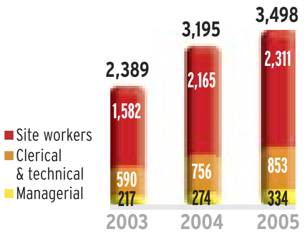


Breakdown by type of contract in France (%)



Country	France	Hungary	Madagascar	North America
Number of employees	30,000	2,300	4,100	9,000
Average annual salary Plant operator (€)	21,150	10,150	1,250	32,750
Average annual salary Site manager (€)	29,250	13,500	1,850	44,850
Statutory annual minimum wage (€)	14,600	2,750	250	8,750

Recruitment by status (France)



Number of accidents and size of vehicle fleet	1997	2001	2005	2005/1997
Number of vehicles	13,746	19,694	22,509	+63%
Number of accidents involving third parties	3,024	2,886	2,342	-23%
Frequency	0.22	0.15	0.104	-53%

EDITORIAL
THE CHALLENGES FACING TF1
by Patrick Le Lay, Chairman and CEO

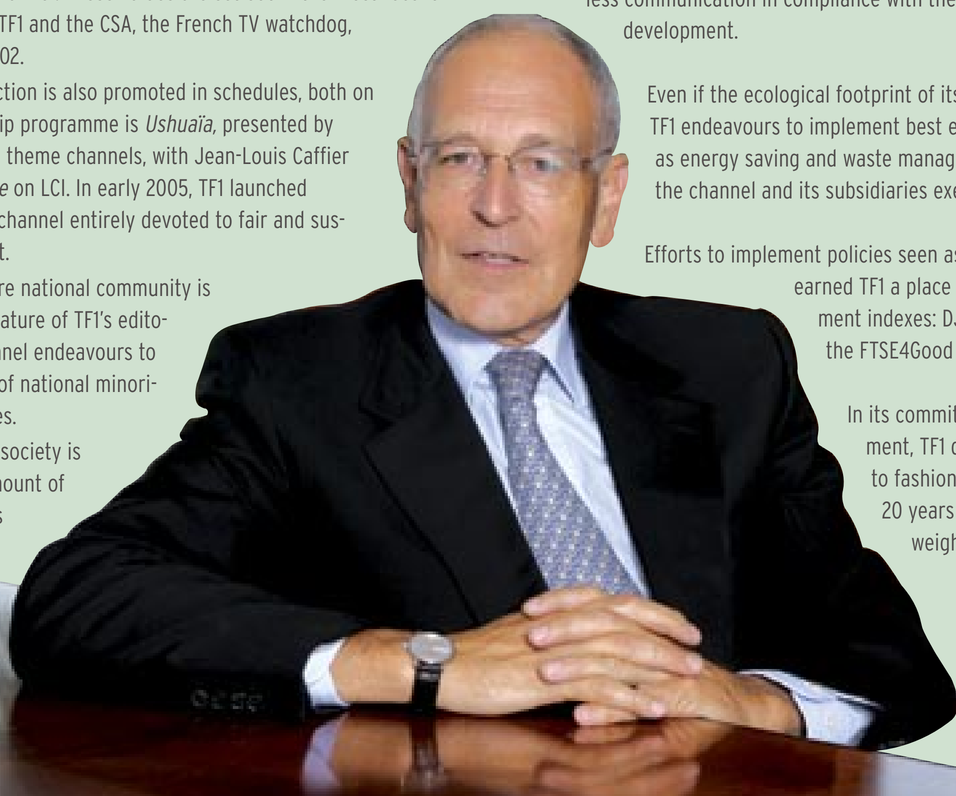
It is above all through programme content and respect for viewers that TF1, Europe's leading general-interest TV channel, makes a commitment to the community to defend and promote the values of sustainable development.

Ethics, child protection and the guarantee of editorial independence are priorities for a family TV channel. These values are set out in the most recent convention between TF1 and the CSA, the French TV watchdog, signed in January 2002.

Environmental protection is also promoted in schedules, both on TF1, where the flagship programme is *Ushuaïa,* presented by Nicolas Hulot, and on theme channels, with Jean-Louis Caffier presenting *Terre Mère* on LCI. In early 2005, TF1 launched Ushuaïa TV, the first channel entirely devoted to fair and sustainable development.

Openness to the entire national community is another important feature of TF1's editorial charter. The channel endeavours to favour the presence of national minorities in its programmes.

TF1's commitment to society is underlined by the amount of prime time it devotes to humanitarian actions for causes like children in hospital, the fight against AIDS, etc. This commitment represents the equivalent of 1% of the channel's advertising sales.



Social and environmental responsibility is also an internal matter for TF1. Our company seeks to create a social framework within which employees can flourish and encourages a proactive human resources policy in areas such as pay, training, health and safety, mobility, benefits, etc. A particular effort has been made in recent years to increase the number of people with disabilities in the company and to integrate non-permanent staff, resulting in an exceptional reduction in job insecurity.

Full digital broadcasting, implemented in 2005 by the Technologies and Internal Resources Division, coupled with the modernisation of equipment, reflects the company's commitment to continuous improvement and paperless communication in compliance with the principles of sustainable development.

Even if the ecological footprint of its business is relatively small, TF1 endeavours to implement best environmental practices, such as energy saving and waste management, in all areas over which the channel and its subsidiaries exercise control.

Efforts to implement policies seen as socially responsible have earned TF1 a place in three sustainable-development indexes: DJSI STOXX, ASPI Eurozone® and the FTSE4Good Europe Index.

In its commitment to sustainable development, TF1 does not merely pay lip service to fashion. I am proud that for nearly 20 years now, TF1 has thrown its media weight behind good causes.

Ethics

Broadcasting

A general-interest and family channel, TF1 has always attached great importance to respect for viewers.

As such, it has made many efforts over many years to constantly improve the editorial quality and ethical standards of the programmes it screens. Programmes are subject to supervision by the CSA under the terms of the channel's convention(1) with the audiovisual media watchdog. TF1 has also established a compliance unit which checks all air-bound content upstream.

Adverts are systematically verified by BVP, the advertising standards authority, which issues an opinion before the advert is screened, then by TF1 and finally by the CSA, which carries out a check after the event.

In the convention, the CSA underlined the channel's efforts to provide subtitled programmes for hearing-impaired viewers and set an annual target of at least 1,000 hours a year for that type of programme.

In 2005, TF1 broadcast 2,275 hours of subtitled programmes using teletext.

As part of its efforts to protect children, since 2002 TF1, like the other general-interest channels, has shown icons informing viewers about pro-

(1) 25 of the convention's 64 articles relate to ethical broadcasting.

Messages for children on TF1

After raising children's awareness of issues like tolerance, peace and children's rights, TF! has sought to promote healthy eating and a healthy lifestyle in an entertaining and interactive way through games, poems and quizzes in an operation focusing on nutrition under the title *Croq'Attitude*.

Examples of messages shown:
*"Do you want to be big and strong?
Eat fish, eggs or meat every day! That'll make you big and strong!"*

*"Do you want to have the Croq'Attitude too?
Eat five portions of fresh fruit and vegetables every day to keep illness at bay!"*

gramme content so that parents can protect their children from potentially offensive images. In addition, TF1 has undertaken to carry out an annual campaign to inform the public and raise awareness of child protection measures on TV, according to objectives defined with the CSA. Programmes for children are also submitted to psychologists for assessment.

Reaching out to the entire national community in all its diversity is one of the cornerstones of TF1's editorial policy. The channel is continuing to include journalists from national minorities in both its News and Sports divisions. TF1 has also made a special effort to cast visible minorities in its most popular drama series.

The gay community is another minority that TF1 is striving to bring out of the shadows. It has shown gays without taboo in a prime-time slot, playing its part in efforts to change society's attitudes towards homosexuality. In 2004, TF1 took a stake in Pink TV, France's first gay general-interest TV channel.

Sponsorship

Each year, the TF1 group shows its commitment to the community in various forms of sponsorship. It is through its position as an opinion shaper that TF1 can act in favour of good causes. In 2005, the TF1 group devoted over €18 million (the equivalent of approx. 1% of its advertising sales) to humanitarian, civil or cultural actions.

Some actions in 2005:

• Sidaction

AIDS was declared France's national good cause in 2005. On 1, 2 and 3 April, TF1 joined forces with the charity Sidaction, eight other TV channels and five radio stations, devoting some of its scheduled programmes, reports and advertising slots to the nationwide operation. From 21 March to 8 April 2005, TF1 presenters, journalists and artists regularly reminded viewers of the number they could call to make donations. Sidaction aims to improve existing treatments, explore new avenues of research, promote prevention, meet the needs of those suffering from AIDS and defend their rights, especially in developing countries.

• Earth Challenge

TF1 and Ushuaïa TV are supporting the Earth Challenge campaign launched by the Nicolas Hulot Foundation and Ademe, the Agency for the Environment and Energy Management. The campaign proposes a number of simple ways in which individuals can help to preserve the environment in their daily lives. For a three-year period from 30 May 2005, once a week during a weather forecast TF1 will display a counter showing the number of people who have signed up to the Earth Challenge. On the channel's website for children, tfou.fr, an area called Récré'Actions uses games, short films and other attractions to raise awareness of environmental issues and the importance of individual action.

To support the campaign, Ushuaïa TV has chosen to screen a short educational programme by Jean-Albert Lièvre. The 13-minute film, shown before the regular schedule starts and at closedown until the end of 2005, reasserts Ushuaïa TV's editorial positioning as the sustainable development channel. With the same objective, every day for a year from 5 July 2005 the channel is showing two other 8-minute films entitled "Water: From Source to Sea" and "Biodiversity".

60^{th} anniversary of the liberation of Auschwitz

• Liberation of Auschwitz

On 27 January 2005, TF1 paid tribute to the victims of the Holocaust with a live world television broadcast of the ceremony to celebrate the 60^{th} anniversary of the liberation of the Auschwitz-Birkenau concentration camp, including interviews with former deportees.

Progress on social issues

In delivering high-quality service across all its lines of business, TF1 relies on the professionalism and creativity of its people. Crucial for the channel and its subsidiaries, that is why TF1 places so much importance on ensuring that the working environment allows them to flourish.

TF1 consistently implements a proactive social policy that goes beyond its legal obligations. The rules established by the group lay the foundations for a pleasant, fair and impartial working environment. Much progress has been made in this sphere, including the establishment of mutual funds for employee savings, a welfare scheme

TF1

Véronique Genest, Paul Allio and Mouss Diouf in *Julie Lescaut*

that gives employees high-quality social protection and outstanding benefits, and a family-friendly policy with measures such as premiums for the birth of a child, marriage, child care, etc.

Recruitment and mobility

Recruitment policies stem directly from the three-year strategic plans drawn up by senior management after consulting the TF1 group's operating and support structures. Adjusted to accommodate developments in the business environment as they occur, the policies are designed to ensure the high professional standards the company needs in order to remain a leader in its various lines of business and to motivate individuals and teams.

Constant efforts are made to integrate talented young people to prepare them for the jobs of the future and to recruit experienced professionals to strengthen existing teams or start new lines of business.

Disabled workers

Thirty years after the landmark 1975 legislation, the 2005 Disability Act reformed the law relating to disabled people, introducing various measures to favour access to employment. In pursuit of that objective, the TF1 group is conducting an awareness-raising campaign designed to bring more people with disabilities into the workforce. The campaign has four main thrusts: direct employment, continuing employment, use of the sheltered sector, and sensitisation and information.

TF1, along with other leading French firms, is a member of Tremplin, an association which aims to help disabled students gain qualifications and find jobs. For TF1, the aim is to create a pool of potential candidates to meet its staffing needs.

TF1's Employment and Disability commission, created in February 2004 and comprising members of the Health and Safety committee, the occupational health service and senior management, takes various measures to improve the conditions of employment for disabled workers within the company. All premises (headquarters and other sites) meet the legal requirements for public buildings and disabled access. TF1 also screens a growing number of programmes for hearing-impaired viewers.

Contract workers

For five years, TF1 has pursued a consistent and proactive policy of integrating temporary employees and reducing the job insecurity associated with their status. 470 non-permanent employees (technicians, freelancers and directors) were hired between 2001 and 2005 as a result of this policy, which will be continued in all TF1 group companies in 2006. TF1 has implemented a genuine social policy for contract workers. With regard to **employee savings,** they can take part in capital increases and the profit-sharing scheme under the terms of a collective agreement. They have also had access to **medical insurance and a welfare scheme** since 1992. If they are on sick leave, under the welfare scheme their salary can be paid for up to 18 months instead of 12 months, as was the case previously. Otherwise, there is a specific agreement on the **35-hour week** for contract workers, **fee schedules** are reviewed annually and contract workers have access to the **social and cultural activities** organised by the works council.

Gender equality

TF1 is continuing its policy of non-discrimination between men and women and, as required by law, it complies with the principle of equal opportunity in recruitment, career development and pay. A few years ago, men considerably outnumbered women. The TF1 group has restored the balance in recent years: women now account for 48% of the workforce and men for 52%. The proportion of women promoted in 2004 was identical to that of men, 11.3%, and higher in 2005 (10.4% of women and 9.4% of men).

Health and safety

In 2004 and 2005, TF1 placed particular emphasis on preventing occupa-

tional risks in order to raise awareness among all the players concerned.

441 employees from various categories of staff received safety training in 2005, compared with 375 in 2004. Regular training in fire prevention is organised and evacuation drills for all staff are carried out as required by the regulations. Three new courses were introduced in 2005 in order to improve working conditions:

- a course in personal equilibrium at work, with the aim of understanding how stress mechanisms work and identifying the causes of stress in order to manage it better;
- a course in using mobile elevator platforms for staff who have to use hoists on set;
- a course to teach employees how to prevent eye strain.

Training related to specific occupational risks is also provided, including first aid (a stress management module has been added to improve the psychological support given to employees working in high-risk areas) and advanced driving techniques.

The single occupational risk assessment document has been updated. The document lists risks in each of the company's operating units and monitors implementation of previously defined preventive measures for each identified risk, such as operating instructions, training, etc.

Environment

Although its activities have a limited impact on the environment compared with other sectors of the economy, the TF1 group carries out a proactive policy in all the areas over which it can exercise control. Action and continuous improvement plans have been introduced at all sites in the Paris region (73,000 m^2), covering aspects like the consumption of energy, fluids and raw materials (paper), carbon dioxide emissions, waste management and awareness raising, going beyond legal requirements in all cases.

Consumption

Several measures have been taken to stabilise electricity consumption at the Point du Jour site in Boulogne in 2006, such as reducing the amount of lighting in car parks, turning off set and studio lighting at specific times and installing movement detectors in washrooms. These actions will be continued and stepped up in 2006, one significant measure being replacement of the centralised building management system. With the new system, the temperature in office areas can be controlled and lighting levels adjusted according to occupancy and the amount of natural light. Staff using water and gas for cleaning and cooking, for example, will be informed of the importance of reducing consumption.

Renewable energy sources and carbon dioxide emissions will be under review in 2006. Items on the agenda include the results of an initial CO_2 assessment, the possibility of installing solar panels, examination of a "renewable energy" contract proposed by EDF, and the acquisition of a hybrid mail vehicle.

Recycling

Waste sorting has been introduced wherever possible, taking into account the specific characteristics of sites. Eurosport has installed wastepaper baskets with separate compartments for paper and other waste. At TF1's headquarters, in view of the amount of waste and the logistics of disposal, the support services division decided to acquire a waste compactor, in operation since August 2003. The waste is then sorted by an outside contractor, La Corbeille Bleue, which sells on what it can for recycling. 80% of the contents of office wastepaper baskets are recycled. Batteries, neon tubes and toner cartridges are also recovered and recycled.

Purchasing

In 2005, for the first time the analysis of tenders from suppliers and service providers included ethical criteria. The ecological characteristics of products and the bidder's actions and commitments relating to sustainable development are taken into account and may be a plus factor in assessing a bid.

Jean-Louis Caffier, *Terre Mère*, LCI

Programmes

It is mostly as an opinion shaper that TF1 can promote protection of the environment. TF1 produces and airs *Ushuaïa*, its flagship environment programme and the only prime-time feature devoted to the subject on French TV. TF1 has partnered Nicolas Hulot, the show's presenter and an icon of the environmental movement in France, for almost twenty years, broadcasting *Ushuaïa* and producing and distributing spin-off products like DVDs and magazines.

Terre Mère, hosted by Jean-Louis Caffier and shown three times a week on the rolling news channel LCI, also focuses on sustainable development and the need for people to adapt their behaviour to the changing environmental situation. On the programme, leading French and foreign specialists look at trends in farming, tourism, water use, planning, transport and energy from an environmental standpoint.

On 14 March 2005, TF1 launched Ushuaïa TV, the latest offspring of the group's Discovery division and the first channel entirely devoted to sustainable development. Ushuaïa TV's schedule is based on three key values: inspiring wonder in viewers

TF1

The HD Forum association launches the HD-ready label at Eutelsat

and promoting an understanding of and respect for the Earth. All the programmes on the channel – documentaries, films, discussions – have respect for the environment as their central theme. Ushuaïa TV is a member of Comité 21, the French committee for the environment and sustainable development.

TF1 also has a commitment to society. In 2005, it renewed its partnership agreement with the Nicolas Hulot Foundation, supporting its educational, scientific and cultural action on behalf of the natural heritage of the human race. TF1 and the Foundation regularly organise awareness-raising operations for TF1 staff and the Foundation's campaigns are supported by TV adverts.

Risk management

The TF1 group is aware of its exposure to risk, whether accidental or intentional, and of the duty it has to all its stakeholders to ensure both personal safety and continuity of service should a major incident occur. Internal measures have been in place since 2001 with the aim of coordinating the group's thinking and action on risk prevention, continuity and crisis management. Under the aegis of TF1's senior management, the initiative makes use of the skills of a group of employees drawn from all the company's different structures. An external audit in 2004 by an internationally reputed consulting firm, followed by an internal audit in 2005, confirmed TF1's position as one of the leading players in the field in terms of best practice.

Organisation

Focusing on safety, infrastructure and technology risks, organisational efforts have focused primarily on maximum prevention then, if a major incident (flood, fire, power failure, etc.) were to occur on the main site, on rescuing staff and restoring the most important functions from an external site. If the main site were affected, the aim of the continuity objectives is to ensure that TF1 programmes continue to be broadcast without any visible impact on the viewer and to restore news bulletins and advertising spots within three hours.

As well as digitisation of the broadcasting process at Boulogne, the process to secure broadcasts was completely overhauled in 2005 and a new, high-security site was identified and correspondingly equipped.

Crisis management also involves identifying the necessary resources and skills and bringing them to bear at the earliest opportunity.

TF1 has opted to take a network approach to risk management rather than creating specific units. This system means that each division can be involved in defining methods and procedures for restoring its own activities and that the cross-cutting approach needed in such matters can be maintained. The plan is supervised by the head of the Technologies and Internal Resources Division, reporting directly to senior management.

A coordinator ensures that the members of the working group have complementary skills, that plans are moving forward and that quarterly management reviews are organised.

Quality

Quality policy is based on continuous improvement. Applied to TF1's key processes (broadcasting and the production of news bulletins) and redefined when digital equipment was installed, the policy is designed to optimise the technical quality of broadcasts, permanently increase understanding of innovative processes and encourage the involvement of all players, both inside and outside the group.

After the production of news bulletins for TF1 and LCI in 2000, standard and emergency operating methods and quality monitoring for all programme broadcasting were completely overhauled in 2005. The incident management system, reviewed in 2005, provides for weekly meetings of all the players involved – editorial, operational, maintenance, IT – with the aim of identifying better technical and organisational solutions and tracking indicators. The introduction of performance indicators and a tracking mechanism means that incidents

Objective: to launch HDTV

Example of the local impact of the Group's activity

TV Breizh, the cable and satellite Breton channel, was launched in September 2000. While the region was not entirely devoid of audiovisual production activities at the time, they were on a very small scale and technical equipment was scarce. The arrival of TV Breizh gave fresh impetus to the activity: several production companies based in Brittany now work with the channel, in particular on magazines and voiceovers for TV dramas.
A new milestone was passed when, in October 2004, TV Breizh became a technology provider and started to broadcast Pink TV.
In March 2005, Ushuaïa TV joined the TV Breizh broadcasting platform in Lorient, which already hosted Odyssée and Histoire, two other theme channels from TF1's Discovery stable. TV Breizh also provides equipment duplication, verification and digitisation services and makes self-promotional items for its client channels.
In becoming a technology provider for other nationwide channels, TV Breizh has consolidated its presence and reasserted its Breton roots. Directly or indirectly, the channel now employs 54 people (31 at TV Breizh, 8 journalists at Ouest-Info and 15 technicians at Objectif Ouest).

are traceable. 41 major incidents (ie, affecting the picture or sound) of internal origin (equipment, operation, power, etc.) were recorded in 2005, with an aggregate elapsed time of 23 minutes. 12 incidents affected the DTT signal only, giving a signal availability rate of 99.996%.

Research and development

There are three main strands to TF1's research and development activity.

New technologies

There are two main areas of R&D in new technologies:

- at TF1, in the Technologies and Internal Resources Division, studies of new technologies (digital broadcasting, portability of filming equipment, networks, exchanges of information, image processing, etc.) and related new services (interactivity, VOD, porting of content to mobile phones, game consoles, etc.);
- at TPS: high definition, mobile TV, ADSL, the MPEG-4 standard, home networking.

Marketing

The marketing departments of the advertising and broadcasting divisions carry out behavioural studies, research into new ratings (joint viewing) and sociological studies, and process and analyse audience statistics.

Programmes

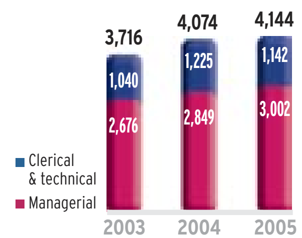
Creation and innovation play a very important part in TF1's activity, especially as regards entertainment programmes, TV dramas and film production. In order to keep close track of its relations with viewers and address their concerns directly, TF1 has set up a 12-person viewer response unit. In 2005, the unit answered some 200,000 calls, e-mails and letters. The service is one way of getting feedback from viewers about the quality of programmes on air.

Total number of employees
at 31 December 2005
4,100 (+2%)

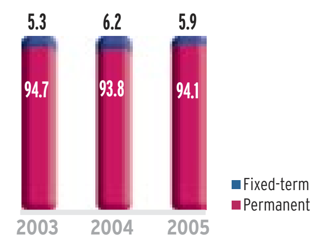
Average age:
38

Average length of service:
9 years

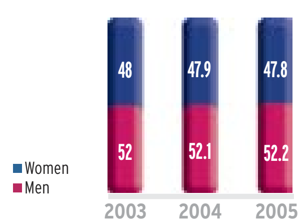
Breakdown by professional status



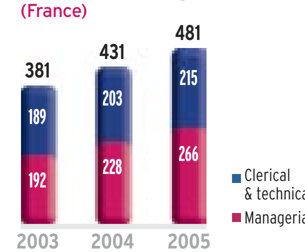
Breakdown by type of contract in France (%)



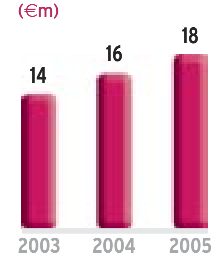
Breakdown by sex in France (%)



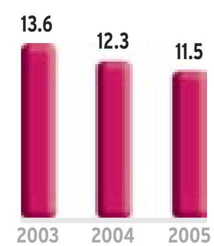
Recruitment by status (France)



Investment in sponsorship initiatives (€m)



Percentage of contract workers (%)



BOUYGUES TELECOM

EDITORIAL

THE CHALLENGES FACING BOUYGUES TELECOM

by Philippe Montagner, Chairman and CEO
and Nonce Paolini, Deputy CEO

Aware of the environmental and societal impacts of its activity, Bouygues Telecom again took many initiatives in those areas in 2005. They are integrated into a proactive approach intended to be both practical and incremental.
It is practical so that genuine progress can be made and so that all our employees can understand what they have to do in their daily work.
It is incremental because the firm needs to be realistic and take a long-term view. Bouygues Telecom has set out on the path of continuous improvement: numerous performance indicators have been introduced to measure results, which then help to define new targets for progress.

Issues

One of our concerns is to ensure that the radio masts we install each year to extend our network coverage blend into their environment as well as possible. We also need to be more transparent with regard to the potential health effects of radiofrequencies from both radio masts and handsets. Waste management, in particular handsets and obsolete equipment, is another important environmental issue.

Where society is concerned, our aim is to give growing numbers of customers access to mobile telephony. Bouygues Telecom already covers over 98% of the French population and is taking part in a government-supervised scheme to cover remaining blind spots. We also have a duty to protect children against offensive content, especially in the context of mobile multimedia and our i-mode™ services.

Main developments in 2005

Arrangements for collecting and recycling handsets have been introduced at all our points of sale. We have incorporated High Environmental Quality criteria into the design and construction of our new Customer Relations Centre in Bourges.
Two base stations powered by renewable energy sources have been built, one using solar and wind power, the other fuel cells. Both experiments are the first of their type in the world.
We have extensively supported the creation of the Health and Radiofrequencies Foundation which, under the aegis of the Research Ministry, funds programmes to study the effects of exposure to radiofrequencies and disseminate the results.

Areas of progress

We can further optimise the quality and quantity of our means of communication and our packaging so as to generate as little waste as possible.
We can improve the ways in which we address disability issues, at two levels. We can increase the range of our mobile phone services for people with disabilities, and we can make greater use of the protected sector to participate in the broader effort to integrate disabled workers.
We must also continue to encourage customers to use paperless billing, which helps to preserve the environment.

Bouygues Telecom's commitments

Three years ago, we signed up to the United Nations Global Compact, promising to promote ten principles relating to human rights and environmental protection. We are pleased to see that our suppliers have responded favourably to our initiative, once we had drawn their attention to the issue. Since 2005, we have also supported the "Earth Challenge" in partnership with the Nicolas Hulot Foundation.

The majority of our workforce are young people (the average age is 32) who support that commitment with enthusiasm and an acute sense of responsibility. For Bouygues Telecom, sustainable development is not a concept but a reality.

OUR APPROACH

Bouygues Telecom's commitment to sustainable development is based on three pillars:

a commitment to the environment:
- reducing nuisance and pollution,
- collecting and recycling waste,
- reducing electricity and paper consumption,
- designing new buildings;

a commitment to society:
- promoting health and safety,
- supporting customers in their phone use,
- addressing disability issues,
- monitoring the origin of products,
- supporting good citizenship initiatives;

a management system based on:
- improving quality,
- controlling operational risks,
- promoting constant innovation,
- maintaining dialogue with stakeholders.

OUR ORGANISATION

Sustainable development initiatives are coordinated by the Quality and Environment division in liaison with operational and support units. In practice, this is done by a committee made up of representatives of the firm's main lines of business, which meets once a month and reports regularly to senior management.

The committee circulates information both in-house and outside, in particular through a specific website. Project managers supervise action plans that are implemented on the ground by two-person teams comprising representatives of Support Services and Human Resources (there is one team for each of the firm's ten main sites).

Employees directly involved in sustainable development are offered in-house training on environmental and societal issues.

Information about particular achievements and best practices to be shared is circulated more widely via the company intranet and in-house magazine and at events organised during Sustainable Development Week, a high point of each year.

Some actions are illustrated by the principle of the Global Compact to which they relate. Performance indicators refer to Global Reporting Initiative indicators[1].

OUR COMMITMENT TO THE ENVIRONMENT

Reducing nuisance and pollution

8*

Base stations that blend into the environment

In 2005, Bouygues Telecom took further steps to preserve the living environment and heritage of the French regions when rolling out its network.
The firm applies the Good Practice Guide drawn up by AMF, the association of French mayors, and Afom, the French mobile phone operators association. This is designed to ensure that the installation of radio masts is a more transparent process involving greater consultation and that it takes place more harmoniously, wherever the site. The firm also respects a set of principles and technical rules contained in a document entitled "Radio Masts in Harmony with their Environment", which it has applied in assessing the extent to which over 1,800 sites blend into their surroundings.
Bouygues Telecom endeavours to group its masts with those of other operators whenever possible, taking account of its radio coverage objectives and technical and legal requirements. In the same spirit, it proposes the construction of a new mast only as a last resort, after considering all options that make use of existing facilities.
Bouygues Telecom has developed twenty or so solutions for integrating aerials and their supports, including false chimneys, plant camouflage, reconstituted roofs, etc. As a result, it has been possible to install equipment on sites as strictly protected as the Château of Chambord and Montpellier's historic city centre.

Reducing greenhouse gas emissions

In order to reduce travel by employees between sites in the Paris region, Bouygues Telecom launched a Company Travel Plan in early 2005 and stepped up its efforts:

- by making increasing use of video-conferencing, which not only saves time but also helps to reduce pollution from cars and aircraft and reduces the risk of road accidents;
- by extending the shuttle service between sites in the Paris region, which carried 21,800 employees in 2005.

In partnership with the Nicolas Hulot Foundation, the firm promotes the Earth Challenge's "green attitude": I use my car less for going to work; I make short journeys on foot; I drive more smoothly and less fast; I take the train whenever I can.

LE DÉFI POUR LA TERRE

2,700 employees, 38% of the workforce, had committed to the Earth Challenge by the end of 2005.

9

Since May 2005 Bouygues Telecom, in partnership with the city of Lyon and JC Decaux, has taken part in the Vélo'V scheme, whereby the city makes 2,000 bicycles available for hire to inhabitants round the clock at 200 pick-up points.

Smart chips inside each bicycle pro-

Bernard Chaffange, director of Lyon Saint-Exupéry International Airport, where a Bouygues Telecom mast has been installed

Bouygues Telecom has decided to sign up to the Lyon Saint-Exupéry International Airport eco-partners charter. What do you expect from this partnership?

We wanted to unite the businesses on our site behind our actions to promote greater environmental responsibility. It's a way of giving substance to our commitment.
We expect a lot from Bouygues Telecom, as we do from all those that have signed up to the charter. Above all, we expect them to come up with ideas for the very practical measures we intend to take, as well as sharing best practices and providing feedback. The challenges are considerable and the objectives ambitious, in terms of both energy saving and waste recycling.

How do you see Bouygues Telecom's commitment to the environment and society?

We operate in very different fields and yet we have something very important in common: we both "go further in bringing people together"! That is what guides us as we assume our responsibilities in areas like user access to services, waste recycling, transparency with regard to nuisances and their health effects. For example, I find the employee satisfaction surveys that Bouygues Telecom has decided to introduce particularly interesting.

(1) an international database of sustainable development indicators
** Some actions are illustrated by the principle of the Global Compact to which they relate.*

BOUYGUES TELECOM

Blending base stations into the environment in Besançon

cess all the technical information, such as availability, the state of brakes and lights, etc. A modem and a SIM card provided by Bouygues Telecom transmit the customer's identity and financial information to JC Decaux's electronic money servers via the GPRS network.

Vélo'V scheme in Lyon

Collecting and recycling waste

Batteries and handsets

Without awaiting publication of the decree of 13 August 2005 on waste electrical and electronic equipment, Bouygues Telecom had already taken the initiative of collecting and recycling unwanted handsets from after-sales service and repair centres.

In May 2005, the collection scheme was extended to 500 stores in the Clubs Bouygues Telecom network.
Handsets still in working order are reconditioned and sold on in emerging countries to give deprived populations access to means of communication. The others are dismantled so that materials like gold, silver and plastics can be recovered and recycled.
This scheme complements the one to collect and recycle batteries, which has been in place for a number of years (6,314 tonnes were processed in 2005).
The number of handsets collected at outlets in the second half of 2005 amounted to 3% of sales by volume. Bouygues Telecom intends to step up its communication to customers in 2006 to encourage them to return old handsets to points of sale.

Waste from base stations

In 2005, Bouygues Telecom concluded a nationwide contract with a network of employment centres for the disabled with the aim of using people with disabilities to dismantle and recycle network equipment (aerials, electronic cards, etc.) reaching the end of its lifetime. Used batteries from radio relay racks continue to be collected and passed on to specialist companies for recycling.

Waste from office sites

Two years after the introduction of paper sorting in our offices, the compliance rate has risen from 65% to 78%, reflecting growing support for the system among employees.

A scheme for collecting and recycling used office products (printer and toner cartridges, computers and peripherals) and used neon lighting tubes has also been introduced.
In addition, Bouygues Telecom encourages employees to discard their own used batteries at collection points on all sites, collecting 428 kg of batteries in 2005. The batteries are then processed by a specialist recycling company.

Reducing electricity consumption

At base stations and computer centres

Automatic GSM electricity meters were

Experimenting with renewable energy resources


Bourges customer relations centre

installed at fifty or so base stations in 2005. Initial data from the meters, transmitted to the operating software over the Bouygues Telecom network, was used to define a consumption profile that then served as the basis for an optimisation plan.

Corporate customers are offered the same technology to help them monitor and optimise their energy consumption.

Bouygues Telecom has achieved a 3% like-on-like reduction in electricity consumption at its computer centres by redefining admissible temperature differences and humidity levels.

At the two computer centres that consume the most power, the company has concluded a contract with EDF under which the electricity utility undertakes to provide 15% of the electricity consumed from renewable energy sources.

Experiments with renewable energy resources

Wishing to diversify the sources of the energy it uses, Bouygues Telecom has tried out different ways of using renewable energy sources at two base stations in the south-west of the country, one using a combination of wind and solar power, the other, in partnership with Air Liquide, using fuel cells.

These two initiatives, the first in the world of their type, were prizewinners in the Economical and Clean Technologies Awards, organised on 1 December 2005 by Ademe, the Agency for the Environment and Energy Management, and the magazine *Industrie et Technologies*. The company intends to carry out further similar experiments.

In offices

Bouygues Telecom has continued its efforts to reduce electricity consumption in offices by installing low-consumption bulbs and motion sensors in washrooms.

In its six Customer Relations Centres, 2,700 customer adviser screens have been replaced by LCD flat screens that use half as much power, generating an economy of over 200 MW in a full year.

Optimising paper consumption

For communication purposes

Bouygues Telecom has significantly reduced the amount of paper it uses for communicating with customers, from 4,500 tons in 2003 to 3,000 tons in 2005. A new initiative was launched in 2005 to optimise the production and delivery of POS (point of sale) materials.
The company is also considering using paper certified by a body like the Forest Stewardship Council(1) and recycled paper for certain purposes.

For office use

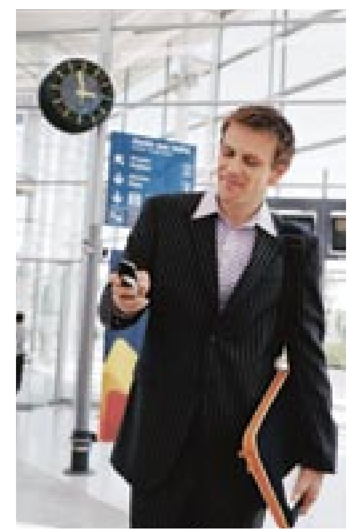
Paper consumption in Bouygues Telecom offices fell by a further 18% in 2005 compared with 2004. The target in 2006 is seven reams of paper per post. In the last quarter of 2005, the company installed new networked digital photocopiers, set by default to print recto-verso and equipped with a scanning function that greatly limits the use of photocopies. 36 machines were operational by the end of the year and over 200 will come into operation over the next two years.
Since 2001, new computer tools have enabled staff to order office supplies, meals and travel, and to manage their schedules and submit purchasing requests and expense accounts over the intranet without issuing paper documents.

More generally, at the end of 2005 over 80,000 customers had taken advantage of the new electronic billing facility, which is both immediate (customers are informed by e-mail as soon as the new bill is ready) and practical (they can consult, download and store detailed invoices wherever they are). Paperless billing is automatically included in contracts with corporate customers.

Environmentally-conscious design of buildings

Bouygues Telecom has applied High Environmental Quality (HEQ) principles to the design and construction of its new Customer Relations Centre in Bourges. The first stone was laid on 23 September 2005 and the site's application for HEQ certification was approved by CSTB, the construction sector technical approval body, during the design and scheduling phase.
For the site, Bouygues Telecom has set itself precise targets in terms of:

- energy management (high-performance double glazing, reversible air-conditioning, low-consumption bulbs, etc.);



(1) a label that guarantees sustainable management of forestry resources

BOUYGUES TELECOM

• waste management (optimisation of the storage area, waste-paper sorting, etc.);

• acoustic and visual comfort of customer advisers (thicker than usual false ceiling, anti-noise shields on skylights, indirect lighting integrated into the fixtures and fittings, etc.);

• ergonomics of workstations (use of sustainable materials, layout validated by ergonomists, etc.).

OUR COMMITMENT TO SOCIETY

Promoting health and safety

Transparency about the health effects of radiofrequencies

The Health and Radiofrequencies Foundation was created in July 2005 under the aegis of the Research Ministry.

A public interest body of which Bouygues Telecom is a founder member, its aim is to define, promote and fund epidemiological, experimental and sociological research into the effects of exposure to radiofrequencies and to disseminate the results to professionals and the public.
Always attentive to the health of its employees, in 2005 the company trained all its maintenance staff in the use of isotropic sensing devices to monitor exposure levels during assignments.

Bouygues Telecom also continues to:

• answer all correspondence it receives on the subject;

• send out a brochure entitled "Radiofrequencies and Health: The Facts" free of charge on request (45,300 copies had been circulated by end-2005);

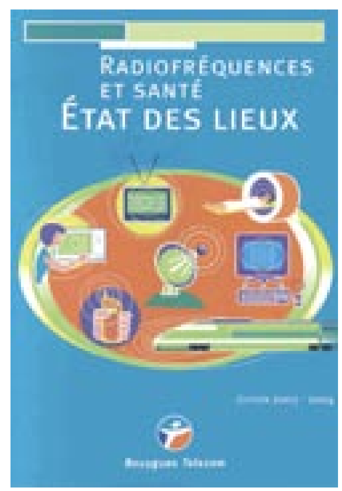
• organise conferences and debates on the subject;

• commission an accredited independent inspector, according to a protocol drawn up by the National Frequencies Agency, to measure the various components of electromagnetic fields around its installations in response to written requests from local residents, elected officials or local authorities.

To find out more, visit the website www.sante.bouyguestelecom.fr

Workplace health and safety

With an accident frequency rate of 1.36 and a severity rate of 0.052, Bouygues Telecom's results in 2005 were once again better than the average for the industry.



In addition to its statutory obligations, Bouygues Telecom is continuing to invest in preventive measures to provide staff with a safe working environment and enhance the quality of life and well-being within the company.

Significant actions in 2005 included:

• the introduction of day-long accident prevention forums comprising workshops and teach-ins (extinguishing real fires, road safety, etc.), in which 354 employees participated in 2005;

• a study of the ergonomics of customer adviser workstations (computer applications, atmosphere, workload), resulting in a switch to low-reflection flat screens that cause less eye-strain;

• the development and enhancement of software to manage accident prevention plans in the context of network maintenance operations.

A number of preventive health initiatives for staff were carried out in 2005, including:

• the production of a guide to risk prevention in handling operations;

• a ban on phoning when driving, even with a hands-free kit or earpiece;

• an AIDS campaign organised in all the company's establishments;

• an anti-drinking campaign.

The establishment of a Stress and Well-Being Observatory enables occupational health professionals to identify the best solutions to problems encountered by individual employees. In 2005, 3,800 people agreed to take the test on a personal basis.

Supporting our customers in their phone use

Protecting children against offensive content

Bouygues Telecom, as a responsible corporate citizen, takes steps to protect children against offensive content.

It stepped up its communication on the subject in 2005 through articles in magazines for prospective and actual customers, enclosures with invoices and a Child Protection link on the home page of its website, www.bouyguestelecom.fr

In November 2005, Bouygues Telecom helped to draw up the first free guide, entitled "Your Child and Mobile Telephony", published by Afom in partnership with the publisher Autrement, the National Union of Family Associations and Dr. Claude

Allard, a psychiatrist and psychoanalyst. The guide gives parents helpful information for educating their children in mobile phone use.

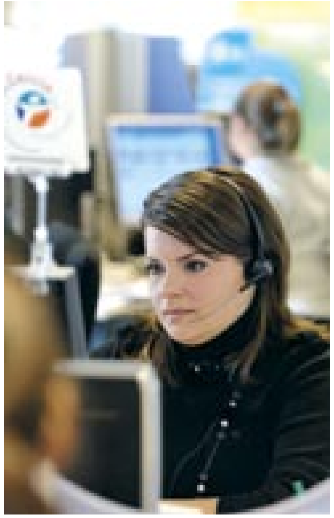
In addition to these information campaigns, the company offers users of mobile multimedia services direct access to child protection measures from their handsets, enabling them:

- to obtain information about the potential risk of certain types of content unsuited to children;
- to activate parental control free of charge with the Bouygues Telecom Customer Relations Centre;
- to report illegal content to an internet contact point.

Informing customers about their consumption

So that customers can call with no worries and control their expenditure, Bouygues Telecom offers means of control such as a block on non-contract calls or the possibility for prepay customers to choose between different value recharges. Contract customers also receive a text message alert if they cross a threshold they have previously determined.

A service available to Universal Mobile customers who have exhausted their credit enables them to send up to ten free call-back text messages a month.



Enabling as many people as possible to access our services

Improving access to mobile telephony for people with disabilities

As a member of Afom, the mobile phone operators association, in May 2005 Bouygues Telecom signed a charter under the aegis of the inter-ministerial delegation for people with disabilities and the Electronic Communications and Posts Regulatory Authority (Arcep), undertaking to step up and give a long-term commitment to actions designed to give disabled people easier access to mobile telephony. The Secretary of State for the Disabled emphasised the exemplary nature of the initiative, stating that "it is the first economic sector to give a commitment of this type."

A handset labelling scheme has been introduced to meet charter commitments. Bouygues Telecom examines each new handset according to criteria for each different type of disability.

The company is continuing its action in partnership with the association HandiCaPZéro and proposes the free installation of two voice activation software packages for the sight-impaired, Mobile Accessibility, launched in November 2004, and Mobile Speak, introduced at the end of 2005.

In addition to voice activation of the main functions, Mobile Speak also offers access to specific information on the internet, a choice between two audio profiles, incorporation of a colour and light detector, GPS utilities and an audio-book service. Price information and the service guide continue to be delivered free of charge in Braille and can be accessed from the Bouygues Telecom website. Sight-impaired customers can also ask for a large-type invoice.

Coverage of blind spots

Under the national agreement between the government and the mobile phone operators, Bouygues Telecom is con-

Jean-Pierre Bigan, managing director for France of Vivanco, an importer of mobile phone accessories

Do you think social audits can be a genuine source of progress?

They are the only guarantee of a break with previous practices. Partner companies in the countries concerned have to accept such audits in order to safeguard their growth, because they know it's something for which their customers can sanction them.

Our experience shows that improvements can easily be made in some areas, like health and safety equipment and facilities, things like lighting, first-aid kits, how people move around, safety measures for dangerous machinery, etc.

Working conditions are the next step: age, formal employment contracts, penalties, and so on. Pay and hours are more difficult subjects to tackle because they are on the borderline of interference in economies that differ fundamentally from one country to another.

What benefit do you reap from this new approach, taken at Bouygues Telecom's instigation?

As far as we're concerned it's a logical step towards ensuring that we have the right partners, partners that are willing to include social factors as well as the traditional criteria that guide our choice, such as products, design, quality, competitiveness, etc.

It is unavoidable in a context of globalisation. To do nothing would be utterly hypocritical. Our real power lies in establishing partnerships with companies that have been clearly selected with those factors in mind.

BOUYGUES TELECOM

tinuing to cover blind spots (areas not covered by any mobile phone operator).

By the end of 2005, the company had installed:

- 69 roaming sites, where one operator has a single mast on which other operators' customers can make and receive calls;
- 31 shared sites, where a single mast hosts each operator's own network.

Bouygues Telecom will continue rollout in 2006, installing over 200 new sites with the aim of ultimately reaching the 730 called for in the agreement.

Favouring equal opportunity

Employing disabled workers

Bouygues Telecom works closely with employment agencies specialising in the placement of people with disabilities. Open days have been held in Customer Relations Centres, attended by representatives of specialist bodies and people with disabilities. The number of disabled workers has increased by more than 30% compared with 2004. The company is also developing partnerships with sheltered workshops and employment centres for the disabled.

Bouygues Telecom has participated in a project by Agefiph, an agency that promotes the employment of disabled workers, to set up a specific link on its website (www.agefiph.asso.fr) to encourage the employment of people with disabilities in Customer Relations Centres.

Bouygues Telecom's Executive Committee regularly monitors the company's disabled employment policy.

Diversity in the workforce

Bouygues Telecom promotes non-discrimination and equal opportunity in the workforce. To give just one example, the company had employees of 40 different nationalities at the end of 2005.

48% of employees are male and 52% female, though two-thirds of clerical/technical and supervisory staff are female and two-thirds of managerial staff are male. 16.7% of women were promoted in 2005 and 15.1% of men.

Skills development

In 2005, as every year, Bouygues Telecom's spending on training considerably exceeded its legal obligation. Almost 6,400 employees took at least one training course.

The emphasis is on high value-added vocational training, management courses and courses designed to make staff more employable and more mobile.

In-house training in a wide variety of areas (legal affairs, telecoms, maintenance, quality, labour relations, etc.) now accounts for a significant share of total investment in continuous education.

The Customer Service initiative was repeated in all Bouygues Telecom stores for the fourth year running. Under the scheme, customer advisers wishing to gain experience of working in stores spend time alongside sales staff, welcoming customers and providing them with information about products and services. The scheme has been a real success, with almost 1,600 employees taking part in 2005.

Monitoring the origin of our products

As a signatory to the Global Compact, in 2005 Bouygues Telecom embarked on a programme of social audits in low-cost countries, especially in China and Eastern Europe, with the aim of ensuring that products are manufactured under decent working conditions for the employees of its suppliers and their sub-contractors. Eight audits were carried out by SGS, a specialist firm, leading either to remedial measures or removal of the supplier from the approved list.

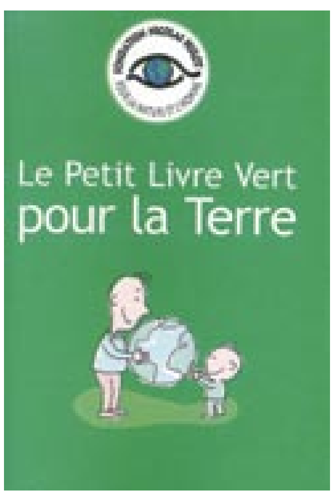
Supporting good citizenship initiatives

Bouygues Telecom carried out various actions in 2005 as part of its sponsorship policy.

- A three-year partnership was concluded with the Nicolas Hulot Foundation for the Earth Challenge,

including distribution of the "Green Book" at Bouygues Telecom outlets, a message from Nicolas Hulot sent to all Contract customers and a free text message to join the scheme. 120,000 customers have supported a charter that sets out ten simple ways of reducing greenhouse gases with the aim of cutting carbon dioxide emissions by 40,000 tonnes a year.

- A partnership with the French multiple sclerosis association Unisep collected 500,000 donations during Multiple Sclerosis Week through recharges purchased by Prepaid customers. Contract customers could also send a text message to make a donation to Unisep during a campaign that lasted from 1 December 2005 to 15 January 2006. Bouygues Telecom made a top-up contribution to each donation.



- A club of volunteers has been created, through which staff members can provide practical assistance to good causes, such as physical rehabilitation centres and charities for the disabled and the deprived.

OUR MANAGEMENT SYSTEM

In support of its commitment to the environment and society, Bouygues Telecom is continuing to optimise its quality-based management system, operational risk management and innovation processes. Dialogue with stakeholders is also a central concern, whether within the firm or outside.

Quality-based management

In 2005, as every year since 1997, overall customer satisfaction was measured by means of a survey in which a sample of customers are asked how they perceive Bouygues Telecom.
Six main areas are explored and compared with the perceptions of other operators' customers. The six areas are image and consideration, service and customer assistance, the relational information system, equipment (handsets, products), services and functionalities, and network.

Bernard Dupré, chief executive of Afutt, the French telecom users association

What do you expect from Bouygues Telecom in the context of its commitment to the environment and society?

Bouygues Telecom, like all the other mobile phone operators on the planet, has to have a clear and ambitious sustainable development policy that addresses the main issues: promoting the recycling of handsets and the collection of batteries, reducing the visual impact of radio masts and ensuring that exposure to radiofrequencies remains below permitted levels. As far as society is concerned, Bouygues Telecom must ensure that children are protected, make provision for people with disabilities, participate in regional development and impose ethical rules in its commercial activities.
In all those areas Bouygues Telecom must give specific, quantifiable commitments that are assessed at regular intervals. They must be in proportion to the issues at stake and move forward from one year to the next.

What do you think of Bouygues Telecom's relations with its customers?

The system for monitoring dissatisfaction and complaints set up by Afutt shows a steady and significant decline in complaints about Bouygues Telecom over the last three years. This positive trend is all the more remarkable in view of the steady rise in the number of customers over the same period. The achievement is certainly attributable to a policy of improving customer relations and better addressing customers' concerns. The creation of a Consumer department within the company and the option of using an ombudsman to settle certain disputes are hallmarks of a company that wants its consumer policy to reflect current best practice.
However, some features of the mobile phone market still militate against the establishment of evenly balanced, healthy, long-term relations with consumers. Contract periods, arcane pricing and the sometimes questionable wording of advertisements and promotional offers are matters on which Afutt has put forward proposals designed to further improve relations of trust between customer and supplier.

BOUYGUES TELECOM

After each survey, the results are presented in detail to operational staff, who then have to come up with action plans to further improve customer satisfaction.

Complaints received by the customer service division are analysed twice a month, giving a close-up view of the difficulties encountered.

Backing up these measures, the company is continuing to improve its processes with the aim of making them more reliable and secure while increasing internal efficiency. Based on a collaborative method involving players from all parts of the firm, the approach is designed to provide a practical response to the company's service promise.

Seven areas have been identified for each stage of the customer lifecycle, from anticipating future needs to the processing of requests through contact channels. Each area is overseen by a member of the Executive Committee with the help of a process manager who, acting as coordinator, ensures end-to-end operation and optimisation.

With the aim of comparing its processes with best practice, in April 2005 Bouygues Telecom created a tool baptised Reflex (Reflection on Excellence), inspired by the European Foundation for Quality Management model.

The tool:
- analyses an executive committee's performance according to nine criteria,
- measures strengths and identifies areas for improvement,
- raises employee awareness of the need for continuous progress.

Tried out in divisions as different as Organisation & Purchasing, Human Resources and IT, Reflex is a user-friendly and rapid stimulus for exchanges and the preparation of operational action plans.

In order to raise awareness and develop skills among employees who are experts in their own particular field, new information and training sessions have been organised:

- on waste management and regulations relating to waste electrical and electronic equipment,
- compliance with Global Compact principles in relations with suppliers (for the Purchasing, Legal Affairs and Supplier Quality Assurance divisions).

In April 2005, Bouygues Telecom introduced Ethics and Management courses for managers, following on from those organised by the Bouygues group (185 staff had attended such courses by end-2005). A code of conduct covering relations with suppliers has also been drawn up and circulated to all staff.

10

To monitor implementation and measure the performance of its actions, in 2005 Bouygues Telecom gave fresh impetus to its audit plan, closely involving regional agencies. The Personal Safety competition was extended in 2005 to include the environment and the security of property in all establishments. The competition is a way of comparing employees' commitment and raising their awareness of best practice.

The Aix-en-Provence agency came first with a clean sheet for personal safety (safety notices properly displayed, compliance with fire regulations, regular checks, evacuation exercises, prevention plans, compliance with rules on smoking and drinking) and the best result for security of property (badge display, vulnerability of workstations, compliance with procedures for the destruction of classified information).

Managing operating risks

As well as identifying and addressing environmental and societal risks, as mentioned earlier, Bouygues Telecom strengthened its crisis management arrangements in 2005.

On 17 November 2004, a malfunction in the software of a vital network component prevented the company from providing communication services for several hours. A number of measures have since been taken:

- hardware redundancy has been enhanced in response to the growing number and complexity of software systems;
- a review of possible incidents is now carried out from the standpoint of the extended firm when the company's critical processes are analysed. Managers of critical processes have also reviewed their indicators and alert thresholds;
- a crisis unit has been set up in each of the eight operating structures, with a skeleton staff on duty round

the clock. Equipment and procedures for communicating between units have been enhanced.

As part of the company's policy to prevent intruders and in the context of the government's anti-terrorist measures, in June 2005 certain sensitive sites (especially computer centres) were registered with the National Defence General Secretariat as essential sites. CCTV trials were conducted to assess the effectiveness of CCTV in response to incidents such as fire, vandalism and break-ins.

Bouygues Telecom has also joined a commission that monitors waste management regulations.

Innovation

In November 2005, Bouygues Telecom organised a four-day Innovation Forum, the third of its kind, with the aim of recognising and stimulating the capacity for innovation in all the company's units. Participants in the event were able to discover entries for the Innovation Trophies competition as well as the company's innovative technologies and best practices.

The fourteen Innovation Trophy prize-winners included:

- the new layout concept for Bouygues Telecom stores (Customer category),
- a small, flat aerial, easy to integrate into the environment, developed by the Network division (Corporate category),
- a system for automatically reading supplier invoices, which saved 1.2 million photocopies in 2005 through electronic scanning and storage (Public category).

Bouygues Telecom also puts innovation at the heart of its strategy with the aim of providing customers with handsets and products that meet their expectations.

In 2005, the company won the Best Innovator prize, sponsored by AT Kearney and the magazine *L'Expansion*, in the "Adaptation to the Market" category.

The award recognises Bouygues Telecom's initiatives in that sphere, including the creation of a science council, an annual Innovation Forum and a new technology showroom where prototypes are displayed.

Dialogue with stakeholders

On 1 December 2005, the Competition Council fined Bouygues Telecom for taking part in alleged collusion on the mobile phone market.

The firm pointed out that it had been asking the authorities for several years to rectify the imbalance on the French mobile phone market, which had serious and long-term adverse effects on competition.

Bouygues Telecom filed seven complaints or requests for arbitration between October 2002 and November 2005 and deplores the fact that none of them has resulted in measures that would enable the third operator to benefit from a level playing field in the competitive arena.

Customers

As well as measuring customer perception and taking steps to improve customer satisfaction, Bouygues Telecom organises round tables with targeted customer categories (people with disabilities, for example) to identify their specific expectations and develop appropriate products and services.

In 2005, portfolio-based customer management was extended to the entire customer base, ensuring closer relations between customer advisers and customers. The initiative contributes to fulfilment of the company's service promise.
The Consumer department, which interfaces with consumer bodies, stepped up its action in 2005 and, with the consumer association Adeic, embarked on a study of the standardisation of accessories.

Bouygues Telecom has given detailed presentations of its commitment to the environment and society to participants in regular quarterly meetings with consumer associations so as to elicit their reactions and expectations on the subject.

Staff

Staff are regularly asked for their opinion on the company and its operation through a staff satisfaction survey. The questionnaire contains 90 questions under five headings: business and trends, organisation and operation of the company, working conditions, labour relations, Bouygues Telecom as a mobile phone company and operator. The results of the survey are analysed by an outside company which, in accordance with the code of conduct, guarantees that answers are anonymous.

A number of areas for improvement have been identified: managers who are closer to employees and who listen and engage in dialogue, immediate superiors who are willing

BOUYGUES TELECOM

to pass on concerns, simpler methods and processes, more operationally effective cross-cutting procedures, and greater individual empowerment.

Social dialogue

The high turnout for elections at Bouygues Telecom (80% in 2002, 84% in 2004) confirms the extent of employees' involvement in corporate life and their interest in social dialogue.

Several collective agreements were concluded in 2005:

- a doubling of the average company contribution to complementary health cover,
- new ways of providing support for internal mobility (transfers between the regions and Paris),
- a profit-sharing agreement,
- an agreement on social dialogue and the resources available to staff representatives,
- a special effort for the lowest paid during annual wage negotiations.

Events

In 2005, Bouygues Telecom provided information about its environmental and social initiatives at meetings attended by particular categories of staff and during Sustainable Development Week, which was a great success at the company's 11 main sites (1,168 handsets were collected and 400 quizzes completed).

As part of the Earth Challenge initiative, the company organised three "green days" on the themes of water, air and energy with the aim of encouraging employees to commit to one of the three "green actions" promoted on the occasion. The three events attracted some 5,000 people to stands manned by volunteers from the Club Objectif Soleil.

Suppliers

Bouygues Telecom has informed over 200 suppliers of its membership of the UN Global Compact, and over 80% of them have said they are willing to support the company in its commitment. The company is gradually introducing specific requirements arising from compliance with Global Compact principles into its calls for tender and contracts.

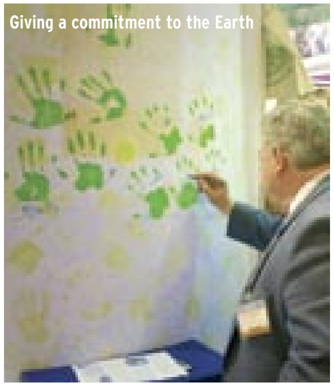
In addition, a detailed questionnaire has been sent to a targeted panel of thirty or so suppliers to find out their attitude towards sustainable development and what action they envisage taking jointly with Bouygues Telecom.

The community

For the fifth year in succession Bouygues Telecom attended the 2005 Mayors and Local Authorities Fair, an opportunity for the company to present its environmental and social initiatives, to which local elected officials are particularly sensitive.

On a stand using recyclable and natural materials, Bouygues Telecom high-

Bouygues Telecom at the 2005 Mayors Fair


Giving a commitment to the Earth

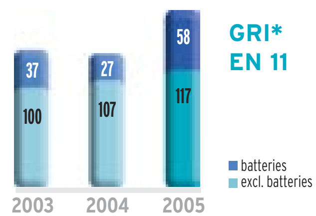
lighted its involvement in a number of innovative projects.

The company also acted as advocate for the Earth Challenge for Local Authorities, organised by the Nicolas Hulot Foundation under the auspices of the Association of French Mayors.

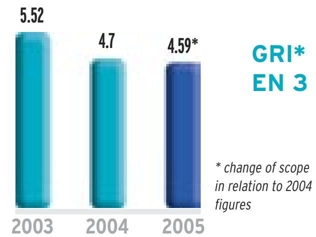
The aim of the initiative is to encourage local authorities to find original ways of sensitising the community to the need to reduce greenhouse gas emissions.

Almost 300 mayors have given a commitment on behalf of their communities, symbolically swearing an oath on the Bouygues Telecom stand.

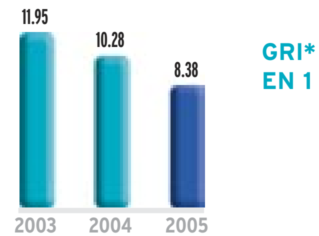
Recycled network equipment (tonnes)



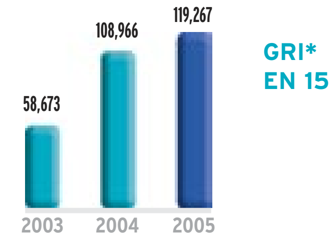
Electricity consumption per workstation in offices (in MWh)



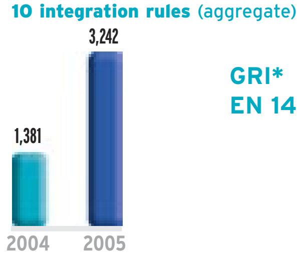
Annual paper consumption per workstation (reams)



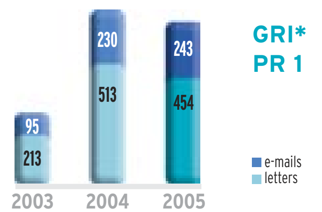
Reconditioned or recycled handsets



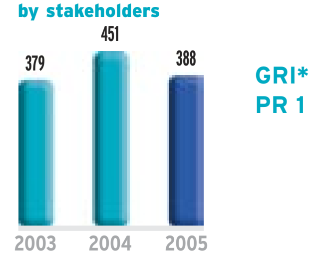
Sites evaluated according to the 10 integration rules (aggregate)



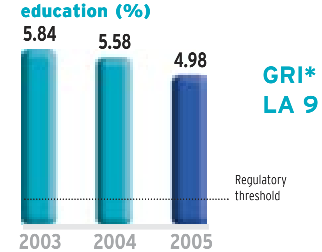
Answers to questions about radiofrequencies and health



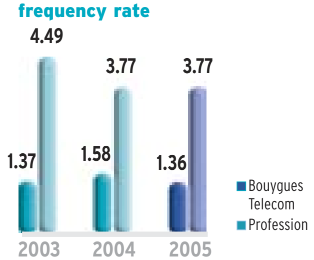
EM field measurements requested by stakeholders



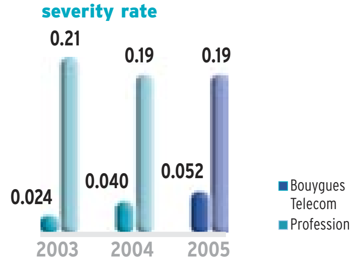
Payroll devoted to continuing education (%)



Industrial accident frequency rate



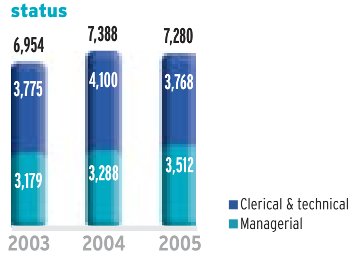
Industrial accident severity rate



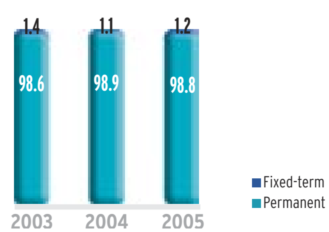
Total number of employees
at 31 December 2005
7,300 (=)

Average age:
33
Average length of service:
5 years

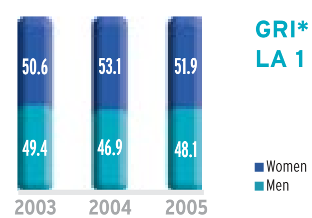
Breakdown by professional status



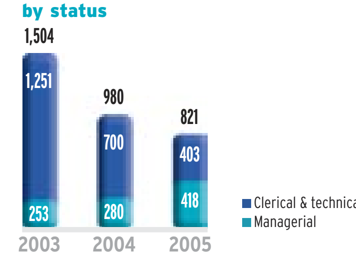
Breakdown by type of contract (%)



Breakdown by sex (%)



Recruitment by status



** The above indicators refer to Global Reporting Initiative indicators, an international database of sustainable development guidelines.*

RISKS

The Bouygues Group is exposed to different types of risk in its different business areas. It is continuing to step up its risk identification and management policy in order to achieve its main operating objectives.

The parent company ensures that its main subsidiaries maintain a high level of risk awareness.

Each year, a senior Bouygues executive reviews the major risks to which the Group is exposed. By analysing and raising awareness of risks, he actively helps to promote a culture within subsidiaries in which risk control is regarded as a key aspect of management. The parent company has also laid down guidelines for the management of major risks which are implemented in each business area.

Each division has set up specific risk management bodies or structures. They in turn take steps to introduce risk prevention and crisis management systems and training programmes in order to control or reduce the most important risks they face.

As the final element in their risk management portfolio, subsidiaries take out insurance policies or other forms of risk cover in accordance with the usual practice in their profession.

OPERATING, ENVIRONMENTAL AND PUBLIC HEALTH RISKS

Bouygues Telecom

Network technology risks

The technology needed to deliver a mobile telephone service is by nature sophisticated. Founded on an infrastructure of critical interconnected hardware components, it is at risk from natural disaster, criminal damage and terrorism, power failure and other incidents of a local nature.

Network developments to offer customers access to new services introduce a higher probability of systems or human error that may entail temporary denial of service. The network failure in November 2004 graphically demonstrated the risks of systems error.

A comprehensive review following that incident has resulted in the introduction of new protective measures, including:

- duplication of subscriber recognition equipment using an alternative technology,
- securing of vulnerable points in the optical fibre network,
- early replacement of potentially obsolescent hardware platforms and introduction of operational indicators at critical points.

Information technology risks

The vast majority of operating processes rely on information technology. Information systems are a key factor in the performance and automation of critical tasks such as activation of customer lines with the appropriate pricing plan, call charging, invoicing, payment collection, rapid response to enquiries, etc. Computers optimise the logistics chain and manage retailer commission. The systems are interconnected in order to optimise data mining, forming a vast and highly complex network. Processing capacity must be precisely calibrated to ensure that systems are never saturated, while the network itself must be kept perfectly secure to prevent fraud.

Under such circumstances, any poorly managed change, even on a small scale, or any unanticipated saturation of capacity may set off a chain reaction or open a breach in the system that can be used to commit fraud.

In 2005, Bouygues Telecom again reinforced and expanded its I-Réagir information systems continuity plan, organising applications redundancy and database back-up and conducting tests to assess the performance of emergency solutions and restart capabilities under stress.

Health risks

Mobile telephony uses radio waves to carry communications. The press and other media regularly echo public concern about whether mobile phones and radio masts are harmful to health.

Bouygues Telecom is attentive to all scientific developments in the field. It encourages research and, above all, has solemnly promised to take account of the results of such research by implementing any protective measures it might reveal to be necessary.

Bouygues Telecom also believes it has a duty to help everyone gain a better understanding of the issues in the debate, which is why it publishes a brochure designed to be both instructive and transparent. Other initiatives include a special website www.sante.bouyguestelecom.fr which reports the results of new scientific research as they are published.

Bouygues Telecom is a founder member of the Fondation Santé et Radiofréquences (Health and Radiofrequencies Foundation). Created in July 2005, the Fondation is a public interest body whose purpose is to define, promote and fund epidemiological, experimental and sociological research into the effects of exposure to radiofrequencies and to disseminate the results to professionals and the public. Transparency is an essential precondition of the precautionary principle.

TF1

Operating risks

TF1's programmes are currently broadcast to French homes:

- by radio waves from TDF's 112 principal transmitters and 3,161 rebroadcast stations,
- by satellite, using Atlantic Bird 3 for unscrambled broadcasts and Eutelsat's Hot Bird™ for TPS,
- by cable (cable operators are obliged to carry certain analogue channels).

TDF is responsible for transmitting (ie, feeding the TF1 signal to broadcast sites) and broadcasting TF1's programmes (and those of all the other national channels) jointly via its free-to-air and satellite networks.

TDF is the only national operator to broadcast television signals; there is no comparable alternative to the TDF network at present.

TF1 therefore depends on TDF to broadcast its signal and cannot use other means of transmission if TDF's network fails.

TDF ensures security of transmission by using both free-to-air and satellite networks to carry the signal to its transmitters. Thus, if a radio system feeding a transmitter fails, the feed can be switched to the satellite system (and vice versa). Redundant transmitters further enhance security of transmission. In contrast, the mast system (masts, waveguides and frequency multiplexers) is not immune from incidents, while the power supply is the responsibility of electricity utility EDF and can escape TDF's vigilance.

Interruptions in signal transmissions have occurred for technical reasons, such as transmitter or power supply failure, or for reasons internal to TDF, especially industrial action. The penalties contained in the contract are in no way commensurate with TF1's potential operating losses when such incidents occur (loss of audience, harm to TF1's image, advertisers' demands for compensation, loss of merchandising rights, etc.).

The damage that TF1 could sustain if a transmitter fails is obviously proportional to the number of viewers served by the defective equipment. A failure in the Paris region, with its 10 million viewers, could have major economic repercussions. That is why TF1 has negotiated a deal to ensure that TDF technicians intervene very quickly if an incident occurs and has asked for emergency measures to be stepped up. Apart from one incident involving a local site, no long-term transmitter failure has occurred to date.

TPS's primary activity is to provide programmes broadcast by satellite on Eutelsat Hot Bird™ 13° Est.

Its main programmes are broadcast on two of the five satellites in the orbital position and occupy six frequencies (the position has around a hundred in all).

The risk of a unit disruption is limited to one satellite since the satellites are several dozen kilometres apart and hence cannot be disrupted simultaneously. TPS must therefore be prepared for a failure on half its capacity. Solutions are to be found in the best use of the satellite's output.

In 2001, TPS experienced an incident on the HB5 satellite lasting several hours. HB5 has now been abandoned in favour of HB6. The measures described above were immediately implemented and proved successful. Eutelsat was able to verify TPS's ability to react, particularly as TPS can remotely guide the configuration for the list of channels and frequencies received by its subscribers.

TPS is now also available via ADSL phone lines, a service marketed by France Télécom. TPS and France Télécom have set up the necessary dual-network infrastructure to secure continuous broadcasting of the first twenty channels. Denial of service penalties are contained in the contract between France Télécom and TPS; the amount of the penalty depends on the time at which the incident occurs.

Eurosport has a structure in the UK which enables the channel to secure the broadcasting of its programmes.

Bouygues Construction

Bouygues Construction has to manage the many risks connected with a particularly risk-prone activity, such as geological risks, archaeological discoveries, bad weather affecting deadlines, lack of foresight, problems in the performance of contracts due to the number of players involved, nuisance caused by works, etc.

When Bouygues Construction concludes design-build-operate contracts, these classic risks are compounded by design and operating risks.

In its private-sector development projects, especially public-private partnerships in France and private finance initiatives in the UK, Bouygues Construction takes a project financing approach which involves no exposure to the project debt.

Bouygues Construction's legal staff are closely involved in project development and contract negotiation, thus helping to control the main risks.

More generally, internal procedures were introduced in 2003 with the aim of improving the identification, control and management of risk.

On the design front, the company has extensive engineering and design

capabilities. It continues to be selective in its choice of projects and takes out appropriate insurance cover with first-rank insurers, giving it further control over its main risks.

Bouygues Construction believes that it is not exposed to any specific major environmental risks. As the company does not own any fixed production sites, which would be treated in the same way as permanent industrial facilities, pollution risks are limited to the temporary facilities used on construction sites.

In addition, under current rules most of the waste generated by construction activities is classified as inert. Bouygues Construction makes sure it complies with local waste management regulations, especially as regards waste sorting at source and negotiations with waste treatment specialists.

Risks in connection with the storage and transport of waste and toxic products relate mainly to the use of oils and fuels when pouring concrete and carrying out earthworks. In each project, the company takes the necessary steps to prevent any risk of accidental pollution that may arise and to react as quickly and effectively as possible if an accident should occur.

Bouygues Construction ensures

that it constantly complies with the regulations in force and implements the necessary prevention and management systems.

Colas

At Colas, the overall risk management policy is defined and risk analysis and assessment are conducted centrally. For several years now, Colas has addressed risk management issues in tandem with its parent company, which organises regular risk seminars focusing in particular on the analysis and prevention of potential major risks.

Risk measurement, tracking and prevention are devolved to the most appropriate level. This arrangement means that subsidiaries and individual establishments monitor and manage the risks to which they are exposed.

Colas does not seem to be greatly exposed to any particular major risks, given the nature of its businesses, the scatter of its establishments and the large number of projects carried out each year.

Bouygues Immobilier

As a property developer, Bouygues Immobilier is mainly concerned by site pollution. In most cases, the company guards against this risk by requiring the seller of the land to clean up the site itself or pay for a clean-up.

When a site includes existing buildings to be demolished, Bouygues Immobilier ensures compliance with asbestos and clean-up regulations and verifies that the relevant work is carried out by approved contractors, guaranteeing that safety rules will be respected.

In 2005, for the first time, Bouygues Immobilier experienced a major pollution incident on a site at Amiens. The incident caused the company a severe financial loss and a one-year delay in delivering the project. Following the incident, Bouygues Immobilier has stepped up its risk prevention measures by systematically engaging consultants whenever it takes an interest in a site.

If the consultants' report raises questions, a more detailed examination is requested and the consultants are asked to draw up a comprehensive site clean-up programme, fully optimised in technical, financial and environmental terms.

MARKET RISKS

Interest rate and exchange rate risk

Some Group companies use hedging instruments to limit the impact on the income statement of movements in exchange rates and interest rates. Group policy for using hedging instruments is described below.

Nature of the Group's exposure to risk

Exchange rate risk

Broadly speaking, the Group has little exposure to exchange rate risk in its ordinary business operations. As far as possible, the Group seeks to ensure that when contracts are invoiced in foreign currencies, the corresponding outlays are made in the same currency. This is the case for most contracts outside France, where the proportion of expenditure on subcontractors and suppliers in local currency is much greater than the proportion of expenditure in euros. The Group is also especially attentive to the risks associated with assets in non-convertible currencies and, more generally, to country risk.

Interest rate risk

The Group's financial earnings are not greatly affected by interest rate movements. Most of its debt is effectively fixed-rate, in the form of fixed-rate bonds and a portfolio of hedging instruments that transform floating-rate debt into fixed-rate debt.

On average over the year, variable-rate bank debt on the balance sheet is less than cash and equivalents invested in variable-rate instruments.

Fluctuating European interest rates or a divergence between European interest rates and those of the main currencies outside the eurozone would have little impact on the Group's income statement.

Group-wide policies on hedging instruments

The instruments used by the Group are limited to the following: for exchange rate hedges, forward purchases and sales, currency swaps and currency options; for interest rate hedges, interest rate swaps, future rate agreements (FRAs), caps and floors.

In addition, these instruments:

- are used only for hedging purposes,
- are contracted only with leading French and foreign banks,
- present no risk of illiquidity in a downturn.

Specific reporting documents are produced for the managerial and supervisory bodies of the relevant companies concerning the use of hedging instruments, the choice of counterparties and interest rate and exchange rate risk management in general.

Hedging rules

Exchange rate risk

The principle applied within the Group is to systematically hedge any residual exchange rate risk arising from commercial transactions. When cash flows are certain, exchange rate risk is covered by forward purchases and sales or by currency swaps. For some major projects, a hedge using currency options may be put in place before the contract is finally concluded.

Equity interests in foreign companies are generally covered by debt of a comparable amount in the same currency on the books of the companies holding the interests in question.

For rationalisation purposes, the foreign exchange position of some Group entities may be managed centrally so that symmetrical positions can be offset against each other.

Interest rate risk

The principle is to hedge all or some of the foreseeable and recurring financial assets and liabilities at the level of each sub-group.

In practice, the entities that hedge interest rate risk are those whose business is capital-intensive by nature (telecom and media). These entities secure their future financial position by fixing the cost of their debt with swaps and FRAs or by limiting it with caps for a period of time linked to the maturity of the financial liabilities being hedged.

As with exchange rate risk, and likewise for rationalisation purposes, the interest rate positions of some Group entities may be managed centrally and partially offset against each other.

Accounting methods

As a general rule the Group uses hedge accounting for its hedging instruments. Hedge documentation is prepared in accordance with IAS 39 and one of two methods is used to account for hedging instruments:

- fair value hedge: changes in the fair value of the hedging instrument and the hedged item are recognised symmetrically in the income statement;
- cash flow hedge: the ineffective part of the change in the fair value of the hedging instrument is recognised in the income statement and the effective part in shareholders' equity (until the transaction is unwound).

In a few cases, such as when the notional amount is small or the maturity is short, it is Group policy not to use hedge accounting so as to avoid cumbersome administrative procedures. In such cases, any change in the fair value of the hedging instrument is recognised in the income statement.

Market value of hedging instruments

At 31 December 2005, the market value (net present value) of the portfolio of hedging instruments was +€9 million[(1)]. This amount consists mainly of the net present value of interest rate swaps to hedge the Group's debt (fair value and cash flow hedges) and the net present value of forward transactions to hedge the currency risk on commercial transactions.

The market value by type of hedge was as follows:

- transactions as part of a fair value hedge: +€14 million,
- transactions as part of a cash flow hedge: -€5 million.

If the yield curve were to shift upward (downward) by one percentage point, the market value of the portfolio of hedging instruments would be respectively +€5 million (+€12 million).

If the euro were to depreciate by 1% against all other currencies, the market value of the portfolio would be +€4 million.

Values have been calculated by the Group or obtained from the bank counterparties to the contracts.

(1) Including Colas for -€9 million. The impact of the market value of the interest rate swap taken out by Colas' UK subsidiary for the Portsmouth contract (-€9 million) is entirely offset by the market value of the derivative incorporated into the contractual flat fee paid by the customer (+€9 million).

Interest-bearing debt maturity (€ million)

	Current debt 2006	Non-current debt 1 to 2 years 2007	2 to 3 years 2008	3 to 4 years 2009	4 to 5 years 2010	5 to 6 years 2011	6 years and over 2012	Other	Total non current debt 12/2005
Bond issues	594			1,012	509	759	1,728		**4,008**
Bank borrowings	43	67	12	13	11	17	56		**176**
Finance lease obligations	35	18	15	8	5	4	7		**57**
Other debt	22	4	8	3	1	2	2		**20**
Participating loans									
Total interest bearing debt	**694**	**89**	**35**	**1,036**	**526**	**782**	**1,793**		**4,261**
Call option for 6.5% of Bouygues Telecom		460							**460**
Total (including Bouygues Telecom call)	**694**	**549**	**35**	**1,036**	**526**	**782**	**1,793**		**4,721**
Comparative at 31/12/2004	**242**	**1,050**	**37**	**32**	**1,040**	**536**	**1,813**	**140**	

Split of current and non-current debt by currency

	Europe Euro	GBP	Other currencies	USD	CFA	Other currencies	Total
Non-current at 31/12/2005	4,610	38	23	9	35	6	**4,721**
Current at 31/12/2005	677		3	1	11	2	**694**
Non-current at 31/12/2004	4,486	13	11	20	103	15	**4,648**
Current at 31/12/2004	220				18	4	**242**

Split of current and non-current debt by interest rate type

Split of current and non-current debt, including the effect of all open interest rate hedging contracts at the balance sheet date:

	12/2005	12/2004
Fixed rate*	85%	69%
Floating rate	15%	31%

(*) fixed-rate debt due at more than one year

Interest rate risk

The split of financial assets and liabilities by interest rate type at 31 December 2005 was as follows:

	Floating rate	Fixed rate	Total
Financial liabilities	447	4,968	**5,415**
Financial assets*	3,063		**3,063**
Net position before hedging	(2,616)	4,968	**2,352**
Interest rate hedges	345	(345)	
Net position after hedging	**(2,271)**	**4,623**	**2,352**
Adjustment for the seasonal nature of certain activities	350		
Net position after hedging and adjustment	**(1,921)**		

(*) including €26 million for fair value of financial instruments used to hedge net debt

An immediate 1% rise in short-term interest rates would reduce interest charges by €19.2 million over a full year.

Interest rate hedging

Maturity	2006	2007 to 2010	Beyond	Total
	Outstanding at 31/12/2005			
Interest rate swaps				
- on financial assets	525	34		**559(1)**
- on financial liabilities	414	617	37	**1,068(2)**
Future Rate Agreements				
- on financial assets	-	-	-	**-**
- on financial liabilities	-	-	-	**-**
Caps / Floors				
- on financial assets	-	-	-	**-**
- on financial liabilities	-	-	-	**-**

(1) of which swaps paying fixed rate: €334 million

(2) of which swaps paying fixed rate: €568 million

Exchange rate hedging by currency

Currency	USD	GBP	CHF	HKD	Other	Total
	31 December 2005 (value in €)					
Forward purchases/sales						
- Forward purchases	75	14	3	-	22	**114**
- Forward sales	170	28	7	22	42	**269**
Currency swaps	79	54	111	61	16	**321**
Currency options						
- Purchased	34	9	2	-	8	**53**
- Written	-	-	-	-	4	**4**

Security interests

	Total 12/2005	Construction	Property	Roads	Media	Telecoms	Bouygues SA and other activities	Maturity < 1 year	Maturity 1 to 5 years	Maturity > 5 years	Total
Mortgages of land or buildings or pledges of equipment	9			9				1	3	5	**9**
Pledges of securities and subordinated loans(1)	25	7	18					18	7		**25**
GROUP TOTAL	**34**	**7**	**18**	**9**				**19**	**10**	**5**	**34**

(1) see also Note 14: Off-Balance Sheet Commitments

Exposure to equity risk

The Group has no significant exposure to the risk of a fall in the price of the equities it holds.

Liquidity risk

At 31 December 2005, the Group had €3,037 million in available cash and equivalents plus €3,785 million of medium-term confirmed and unused bank facilities.

The Group does not therefore face any liquidity risk. The bank loans contracted by Bouygues do not include any financial covenants or trigger events. The same applies to bank loans contracted by Bouygues subsidiaries.

RISKS

COUNTRY RISK

Most of the Bouygues Group's businesses have little or no exposure to country risk.

The Group has introduced a highly flexible organisation to limit the risk arising from instability in some parts of the world, allowing it to withdraw more easily from the countries concerned and minimise its financial losses. Insurance against political risk is taken out on a case-by-case basis and strict internal control procedures are in place to limit the financial repercussions.

Bouygues Construction does not at present have any significant business in countries affected by serious civil disturbances or armed conflict. The Group seeks to ensure the continuity of contracts with its customers, but its first concern is for the safety of its employees, including repatriation if necessary.

Colas does over 95% of its works business in Europe and North America (United States and Canada). Consequently, it has little exposure to country risk or non-payment risk, since 60-65% of sales are with public-sector customers (central and local government authorities) and it executes a very large number of small contracts.

Finagestion, a Bouygues subsidiary which has taken over Saur's African subsidiaries, continues to be affected by country risk in connection with Côte d'Ivoire. CIE and SODECI distribute water and power in Côte d'Ivoire under public service delegation contracts, though they are not responsible for investment. CIPREL is a power generation subsidiary in Côte d'Ivoire which also owns assets there. Despite political instability, the companies were able to maintain a normal level of operations in 2005. Guarantees taken out with Coface amongst others meant that the Bouygues Group had no significant net exposure in Côte d'Ivoire at the end of 2005.

TECHNOLOGY RISKS

The Group uses few patents or technologies that could expose it to the risk of technological obsolescence.

Through its investment in research and development Colas ensures that it is consistently at the leading edge of technology, enabling the company to remain competitive. There does not appear to be any risk of obsolescence associated with its patents and technologies. Thanks to its research and development policy, Colas is able to constantly renew and update its technical know-how.

Dependence on customers and suppliers

Bouygues Telecom

The design of a mobile phone network and the delivery of a communication service imply the acquisition and implementation of sophisticated, complex and interdependent equipment.

With the aim of forestalling risks, legal staff have developed contracts that require suppliers to comply with strict safety and quality procedures and to cover their own risks.

At the same time, painstaking efforts have been made to identify all suppliers involved in critical processes. As a result, the purchasing department can closely monitor each individual supplier. They in turn must implement back-up procedures to respect the continuity of service strategy and agree to a reliability audit at any time on Bouygues Telecom's initiative.

Colas

Colas is sensitive to variations in supplies and prices of raw materials, especially oil products (bitumen, fuel, heating oil) in its roads activity and materials like steel and aluminium in its safety, signalling and waterproofing activities. However, most roads contracts and their related commitments are of short duration. Contracts often include price review clauses which help to protect or limit the impact of price rises on the company's margins.

Longer-term purchasing agreements or hedges can be negotiated on a case-by-case basis in certain activities or for certain contracts.

Bouygues Construction

Bouygues Construction is not dependent on third parties for its construction activity, whether in terms of technical skills (eg, licences) or business development (eg, exclusivity). When disposing of assets, the company has sometimes given non-

competition undertakings relating to the divested activities in certain geographical areas but such undertakings are not deemed likely to hinder its development.

Bouygues Construction does not use non-standard equipment for its construction activity or depend on particular suppliers except for certain specific or large tunnel boring machines which are made by a limited number of specialist manufacturers. However, the company has all the resources to design TBMs itself and ensures that it does not depend on any particular supplier.

Bouygues Construction works with a large number of sub-contractors on projects it does not carry out directly. None of them is likely to place the company in a situation of dependence.

TF1

TF1 Publicité systematically monitors the financial health of advertisers wishing to buy space on the channels of the TF1 group it serves. The risk of non-payment by TF1 Publicité's advertisers is historically less than 0.1% of annual sales.

TF1 Vidéo and TF1 Entreprises use credit insurance to safeguard against the risk of customer default.

There are no other significant single customer risks in the group's other subsidiaries that could have a lasting impact on the group's profitability.

Specific regulations

Act 86-1067 of 30 September 1986 (the Audiovisual Communication Act) set maximum limits on shareholdings in TV operators and restrictions on the number of licences an operator can hold. Article 39 states that an individual or legal entity acting alone or in concert may not directly or indirectly own more than 49% of the capital or voting rights of a company that holds a licence relating to a terrestrial national television service whose audience exceeds 2.5% of the total television audience.

Article 41.3.2 states that any individual or legal entity that controls such a company within the meaning of Article 233-3 of the Commercial Code (direct or indirect majority shareholding – de facto control) or has placed it under his authority or dependence is deemed to hold a licence.

TF1 and Bouygues Telecom are subject to specific regulations in the pursuit of their business. Under the terms of the Audiovisual Communication Act and the Telecoms Regulation Act of 26 July 1996, use of the terrestrial frequency spectrum is treated as an exclusive occupation of the public domain. Consequently, in order to use terrestrial frequencies, TF1 and Bouygues Telecom must obtain a licence and comply with its terms. Bouygues Telecom has to pay a fee, while TF1 has to give non-financial undertakings: 60% of its broadcast output must consist of European works and 40% of original French works, and it must allocate a substantial proportion of its net annual revenues to buying new films and TV productions.

Compliance with these terms and conditions is monitored permanently by two regulatory authorities, the Conseil Supérieur de l'Audiovisuel (CSA) for TF1 and the Autorité de Régulation des Communications Electroniques et des Postes (Arcep) for Bouygues Telecom. These authorities have the power to impose fines and to suspend, curtail and withdraw licences.

TF1 was granted a 10-year licence on 4 April 1987. On 17 September 1996 the licence was renewed for five years from 16 April 1997, and on 20 November 2001 for a further five years from 16 April 2002.

Under the terms of Article 82 of the Audiovisual Communication Act, the licence could be extended automatically until 2012 as one of the conditions for simulcasting the channel on digital terrestrial TV.

By an order of 8 December 1994 amended by an order of 17 November 1998, Bouygues Telecom was granted a licence to establish a DCS 1800 network, valid for 15 years (ie, until 8 December 2009).

By an order of 3 December 2002, Bouygues Telecom was also granted a licence to establish a third generation (UMTS) network, valid for 20 years (ie, until 3 December 2022). The licences are renewable.

Neither Arcep nor the CSA has ever found Bouygues Telecom or TF1 to be in breach of its licence terms and conditions.

Arcep has interviewed Bouygues Telecom, like the other two operators, as part of the procedure to control UMTS rollout obligations. In a decision of 20 May 2005, Arcep granted Bouygues Telecom a 28-month extension to its timetable for rolling out UMTS.

RISKS

Telecommunications regulations evolve every year. Recent changes are described in the section of this report describing Bouygues Telecom's activity in 2005.

To access certain contracts, especially for infrastructure, a construction firm must be approved on the basis of its expertise and sound financial health. Bouygues Construction believes that it has the necessary approvals, or fulfils all the criteria needed to obtain them, to secure its development in countries and markets identified as strategic.

For housing and infrastructure works and services, Bouygues Construction is subject to the regulations issued by the governments and public authorities of the countries in which it operates. For example, a set of administrative authorisations must be obtained for each site before work begins. Failure to obtain these authorisations could result in the start of work being delayed, which could lead to penalties at the end of the project if the delay is not made up. Penalties are generally limited by contract.

Infrastructure projects in France are subject to public utility declarations and environmental protection authorisations, such as those provided for in the Water Act (Act 92-3 of 3 January 1992). There is a risk that the start of work will be postponed due to the time taken to obtain these authorisations and the need to wait for the results of public enquiries. It is generally up to local authorities to fulfil these obligations, but in concession contracts the duty falls to the concession-holder. Bouygues Construction makes a constant effort to keep up with the often rapid changes in the regulations. However, the relatively short cycle of the construction business and the comparatively low level of investment in the sector help to reduce the risk arising from regulatory change.

Bouygues Construction's infrastructure concession activities share a characteristic common to all activities contracted out by governments or local authorities, insofar as public-sector clients can exercise their public powers to modify or cancel contracts, although in such cases the contractor is entitled to compensation.

The African companies transferred to Finagestion under the agreements relating to the disposal of Saur are exposed to this risk.

Bouygues Immobilier's property development activities are subject to authorisations that may give rise to many third party claims, which can cause delays and difficulties in starting operations. Bouygues Immobilier is exposed to the risk of appeals against the administrative authorisations, such as construction permits, that it needs for its property development projects. The risk is especially high in densely populated urban areas. The company forestalls the risk by not signing any promises to buy land until all time limits for appeals have expired.

Any change, abolition or restriction on tax incentives for investment in new rental housing causes a change in investor behaviour, inducing property sales. Bouygues Immobilier limits the impact of this risk on its business by ensuring that its property and customer portfolio does not become unduly unbalanced.

EXCEPTIONAL EVENTS - LEGAL DISPUTES

Group companies are involved in various lawsuits and disputes in the normal course of their business. Risks have been assessed on the basis of past experience and analysis by the Group's legal departments and counsel. To the company's knowledge, there is no exceptional event or lawsuit that may substantially affect the activities, assets, results or financial situation of the Group as a whole. Lawsuits are reviewed regularly, especially when new facts arise. Provisions seem appropriate with regard to these

assessments. The Group uses all legal means possible to defend its legitimate interests.

The main disputes and events that occurred in 2005 are described below.

- On 30 November 2005, the French competition commission *(Conseil de la concurrence)* imposed a €58 million fine on Bouygues Telecom in connection with alleged collusion between mobile phone operators. The decision was immediately enforceable and the fine was paid on 29 December 2005. The competition commission accused Orange France, SFR and Bouygues Telecom, over the period from 2000 to 2002, of exchanging information and engaging in behaviour that would effectively lock in their market share. Orange was fined €256 million and SFR €220 million. Bouygues Telecom has lodged an appeal against the decision with the Paris Appeal Court. Consumer groups have announced that customers will sue the operators for compensation but by the beginning of March 2006 Bouygues Telecom had received only two writs. The pursuit of these lawsuits depends on the progress of Bouygues Telecom's appeal against the competition commission decision.
- On 5 December 2005, the competition commission fined a Colas subsidiary €21 million on the grounds that in 1991 it had concluded an agreement to share out asphalt markets in the Seine-Maritime department. The subsidiary in question has decided to appeal.
- On 22 March 2006, the competition commission issued a decision concerning public procurement contracts in the Ile-de-France region between 1991 and 1997. Four group companies were fined a total of €10.5 million. On 17 October 2005, three group companies were informed of charges against them relating to contracts for building work on schools in the Ile-de-France region.
- The compensation claim from SNCF, the French railways, for anticompetitive behaviour during construction of the TGV Nord high-speed rail link to northern France in 1989-90 is continuing and the first expert reports were submitted in 2005. The administrative court and Conseil d'Etat could issue their decisions in 2006.
- Bouygues Travaux Publics is party to an arbitration relating to the circumstances that led to the cessation of construction work on a road project in Uganda worth approximately €40 million, financed by the European Development Fund. The arbitration has been suspended while a representative of the European Commission conducts a goodwill mission.
- Bouygues and Bouygues Telecom are continuing their appeal before the Court of First Instance of the European Communities relating to the state aid granted during the recapitalisation of France Télécom in 2002 and the retroactive modification of UMTS licence fees in favour of Orange and SFR. Bouygues Telecom is also continuing its complaint against the existence and practices of the Orange-SFR duopoly which dominates the French mobile phone market. In 2005, Bouygues Telecom brought an additional complaint before the competition commission relating to the corporate segment of the mobile phone market, of which the duopoly has a 90% share.
- Following the failure which struck its network on 17 November 2004, Bouygues Telecom has brought an action for compensation against Tekelec in the United States. Tekelec is the supplier of virtual HLR servers, a critical component of the Bouygues Telecom network. Tekelec has raised a number of procedural objections but discovery is ongoing.

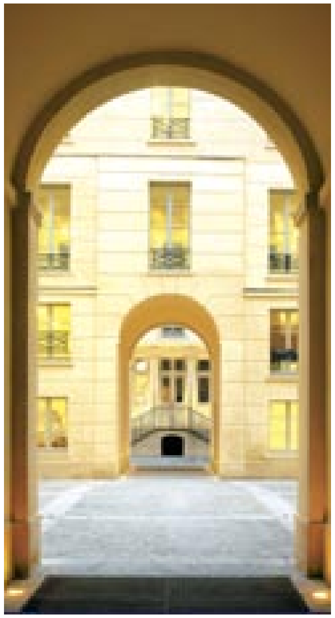
INSURANCE – RISK COVERAGE

The Group constantly endeavours to optimise and ensure the long-term validity of the insurance policies taken out by Bouygues SA and its subsidiaries, not only to protect itself against potential losses that are exceptional in terms of their size or number but also so that cover is provided at a cost which does not undermine the Group's competitiveness. This policy of securing long-term insurance implies partnership with high-quality, financially sound insurers. In order to maintain such partnerships and ensure that information cannot be used to the detriment of the interests of the Group and its shareholders, especially in legal disputes, the Group ensures that guarantee conditions and the amount of premiums are kept in strictest confidence, especially where liability insurance is concerned.

Because of the range of their activities, the Group and its subsidiaries have to contract very different types of insurance, suited to each situation. The risks incurred by the Group in its five lines of business are not comparable. Consequently, each business area takes out its own insurance policies. Premiums also vary considerably; the Group's premium payments to general insurance companies represent approximately 0.3% of sales, a percentage which can be understood only in the light of that diversity.

In addition to mandatory insurance, covering 10-year building guarantees in France and automobile third party liability for example, the main policies are as follows.

- **Damage.** The cover is generally equal to the value of the assets insured. For the largest concentrations of value, however, the cover is limited to the amount of repairs for damage occurring in a disaster scenario, defined with the insurers' consent following prior expert valuations carried out by external consultants.



When damage to the insured assets is likely to cause an interruption in operations, insurance is taken out to cover the resulting operating losses. The cover is based on the length of time for which the damaged site is unavailable according to the disaster scenario used and existing disaster recovery plans.

- **Site insurance.** The cover is equal to the market value. By way of an exception, for certain geographically extended projects, the cover may also be limited to the amount of repairs for damage occurring in a disaster scenario. The scenario is determined according to the type of project (eg, motorway, viaduct or tunnel) and the part of the world in which it is situated, so as to assess the risk of earthquakes or cyclones, for example, and the resulting damage. The cover is sometimes limited by the total available capacity on the world insurance market, for example for damage resulting from earthquakes or terrorist acts in another country.

- **Liability insurance.** These policies insure against damage to third parties for which Group companies may be responsible. As these companies are of very different size and operate in very different businesses, the cover is tailored to the risks incurred. It is generally in excess of €5 million per claim.

For all these policies, deductibles are adjusted to optimise the overall cost to the Group according to the likelihood of claims and the premium reductions that can be obtained from insurers by increasing deductibles. Taking these factors into account, certain risks are insured without any deductible at all while others are insured with a higher deductible, amounting in some cases to as much as €3 million.

Some insurance policies issued by traditional blue-chip insurance companies are partly reinsured by the Group's captive reinsurance subsidiary. The subsidiary is managed by a specialist company which defines the provisions to be constituted in compliance with insurance and reinsurance regulations, the purpose of which is to ensure that the provisions are sufficient to meet the commitments of the companies to which they apply.

The Group and its subsidiaries continue to take preventive measures and introduce safeguards to further reduce the likelihood of accidents and losses and to limit their scope. One benefit of this policy is to facilitate negotiations with insurers over conditions of coverage and the amount of premiums.

Innovation, research and development

Cycle track made from Vegecol binder

INNOVATION, RESEARC

While research and development (R&D) concerns the scientific and technological aspects of our work, innovation extends to processes, services, and understanding our customers and markets. The strategy of Research and Development functions, together with their budgets, is validated by the general management of the various units in order to ensure that the fields of research are strictly consistent with the strategic orientations of our business lines.

The high level of the technical culture of Bouygues business lines explains the very close connections between R&D functions and engineering departments, making it possible to keep an ear close to the ground in terms of commercial and production concerns.

Most of the Group's Research & Development structures are decentralized throughout the subsidiaries so that researchers can provide solutions tailored to their markets. However, the e-Lab, a specialized Bouygues SA structure created in 1994, supports the different Bouygues businesses to help with technological evolution, making them aware of innovations developed in the world of research and by start-ups in the new digital technologies sector. To effectively carry out this assignment, the activities of e-Lab are focused on four main tasks:

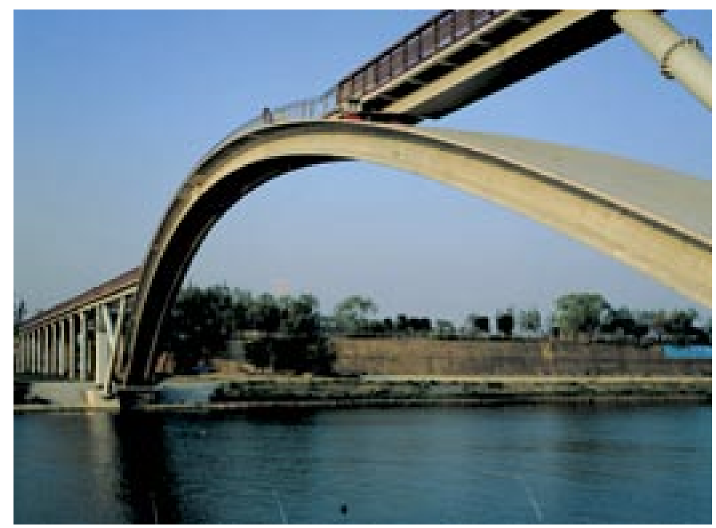
R&D expenditure in 2005: €137 million

- independent research, where e-Lab produces scientific or software innovations around the general topic of decisional science,
- benchmarking (monitoring achievements outside the group),
- advising and assisting with respect to projects carried out by business entities. This generally concerns complex projects with high technological or scientific value added,
- animating and co-ordinating an Innovation division bringing together all those working on this question; a special intranet site has been created.

Bouygues Construction

Apart from expressing its natural concern for the safety of what it builds by implementing the strictest standards, Bouygues Construction is dedicated to advancing techniques and materials to achieve maximum comfort for customers and users. Bouygues Construction enjoys a powerful image as a technological innovator, enhanced throughout its history:

- bridges (precast segments erected with launching beams), tunnel boring machines (earth-pressure-balance principle, TBM guidance),
- construction (4-day cycle),
- Ductal® high-performance concrete; its strength and other qualities, particularly its fire resistance, are remarkable,
- post-tensioning (VSL processes),
- complex financial packages: M5, N4, and A28 motorways, PPP (Hungary, Hong Kong, London, etc.),



H AND DEVELOPMENT

- modelling (harbour works, etc.)

Current work is focused on the following fields:

- acoustics and vibration,
- productivity and automation,
- energy performance and the environment,
- sustainable construction and Whole Life Costing (WLC), an approach that integrates the cost of a project for its entire lifetime. In terms of housing, the R&D work of Bouygues Construction therefore focuses on the design of buildings that are less dependent on external energy sources and looks into possible improvements to user comfort. The developments in this field are very numerous: comparative study of insulation systems, guide to the use of solar-heated domestic hot water systems, competitive intelligence in the field of fuel cells, controlling the air-permeability of buildings with high-performance supply-and-extract ventilation, targeting of power consumption forecasts, etc.

An Innovation committee made up of technical managers acting under the guidance of General Management coordinates the work done by the various subsidiaries. The principal events organized in 2005 to raise the awareness of staff included:

- the innovation forum attended in January 2005 by 200 staff members from the commercial, production, and technical sectors;
- the very first Bouygues Construction Innovation Competition which saw more than 330 projects submitted by 1,000 staff members in a range of categories: technical, production, and commercial aspects, information technology, management-finance-legal aspects, human resources. One project awarded a prize was the ETDE multimedia terminal system which enables site personnel not equipped with computers to access the company's internet and intranet services.

Bouygues Immobilier

The R&D of Bouygues Immobilier is focused on strategic marketing and the development of new products. The main achievements are new concepts for housing and offices which have given rise to registered marks: business parks and 'Les Académies' student hostels, for instance.

Current research concerns:

- design of entry-level products for first-time home owners,
- the development of new marketing methods outside France.

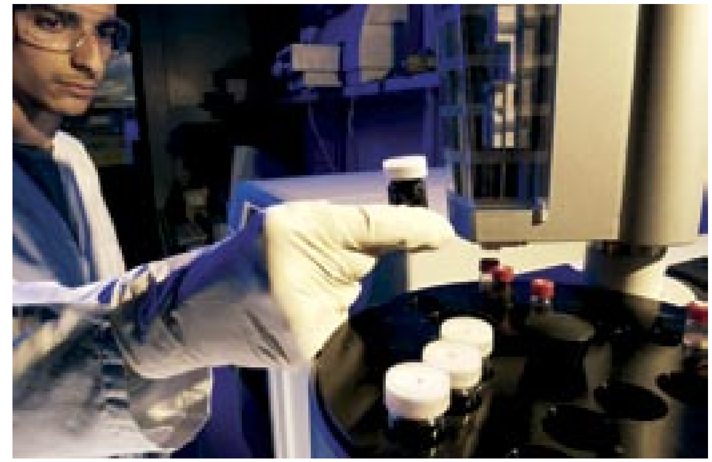
Colas

The history of Colas has been marked by large numbers of innovations which have contributed to the company's success and helped it become the world's No. 1 in roadbuilding:

- 1932: invention of Rocasphalt cold mix.
- 1937: Compomac, a cold mix which is still evolving today.
- 1964: Grave-emulsion mix.
- 1983: Emulcol, first emulsion tack coat with controlled breaking. Its ingredients make it a very environmentally-friendly product. Emulcol was awarded an innovation prize in the public works sector.
- 1986: invention of Médiflex, the first very thin bituminous concrete. Médiflex won first prize in the innovative techniques competition run by the French Roads Administration.
- 1995: Colnet, which provides perfect bonding between different courses of mixes and waterproofs the support on which it is placed.

Some examples of recent innovations:

- Neophalt BT: low-temperature mastic asphalt.
- Vegecol: organic binder made from renewable resources, used as a bitumen substitute. Vegecol was used on more than sixty projects in 2005, as compared to four in 2004.
- Ecomac: environmentally-friendly process for warm bituminous mixes. By optimizing the use of bitumen emulsion, Ecomac reduces pollution emissions.



- Active Joint: crack-initiation system for cement-bound aggregate courses.
- Rugosoft: low-noise bituminous concrete with long service lifetime. It also considerably reduces water splash in wet conditions and its roughness reduces skidding.
- Fractal wall: noise wall developed jointly with the École Polytechnique. Winner of the Siemens Innovation Prize in 2003.

At Colas, R&D is a network of 50 decentralized laboratories and 100 design departments. Within this dense network, the Scientific and Technical Campus comprises around 80 scientists, engineers, and technicians working in eight research units. The company gives priority to applied research, resulting in marketable products. As a result, Colas develops at least one new product every year.

Research has several objectives:

- enhance the comfort and safety performance of surfacing,
- reduce costs through recycling,
- streamline binder manufacturing processes,
- reduce traffic noises,
- develop environmentally-friendly products. For this purpose, the research programmes target better usage of natural resources, reduced energy consumption and greenhouse gas emissions, and development of recycling of industrial and worksite waste.

INNOVATION, RESEARCH AND DEVELOPMENT

TF1

TV channel TF1 is continuing its development in a fast-evolving sector. R&D is focused on:

- audiovisual content. The activity of TF1 comprises a large component dedicated to creation and innovation in terms of entertainment programmes, drama, and identification of new concepts and strategic partners;
- marketing research and development. The marketing, advertising and broadcasting departments work on audience ratings, process and analyze audience results, and carry out viewer behaviour studies and analyses;
- production, broadcasting, and reception facilities technologies. The technologies and internal resources department is thus working on process digitization and on the portability of reporting equipment.

In the last few years a number of key technical advances have been made:

- broadband television (Dream TV project, then the TPS L commercial offering);
- Process News for producing the TF1 and LCI news programmes. The entire production setup and broadcasting system of TF1 are now digitized;
- the mobile unit for reporting teams (filming, cutting, satellite transmission);
- satellite broadcasting by statistical multiplexing.

The main topics currently being examined are:

- television on mobile phones, by means of experiments with panels of test users. Some of these experiments are being carried out jointly with Bouygues Telecom;
- the TF1 high-definition TV offering;
- the future of television under IP and convergence with the internet.

Bouygues Telecom

Bouygues Telecom has set up a very comprehensive system for its R&D drive and has placed innovation among the top seven fields for action.

The New Technologies Department carries out most of the R&D work:

- competitive intelligence and showrooms,
- patenting,
- follow-up of innovative projects,
- organizing the scientific committee,
- co-ordination of technological roadmaps.

A 'use and customs laboratory' studies the behaviour of the 'digital household'.

An Innovation forum, comprising an innovation competition stimulates staff to ever greater achievements and rewards the best projects every year. The third of these forums rewarded fourteen of a total of 300 submissions. Some of them, like the flat microwave beam ('FH plat') using an antenna smaller than a sheet of A4 paper, have made outstanding contributions to sustainable development.

When it came into existence in 1996, Bouygues Telecom's ambition was to become the benchmark operator on the personal-communication market. By creating talk plans and providing a free answerphone service, Bouygues Telecom put mobile phones within the reach of the general public. In an extension to this approach, the company has been offering Neo, the first unlimited subscription for access to all mobile and landline operators, since March 2006.

On the technological front, Bouygues Telecom has never stopped innovating. It was the first French operator to offer DHR (Digital High Resolution) sound, a technology providing a quality of communication that is comparable to that of a landline.

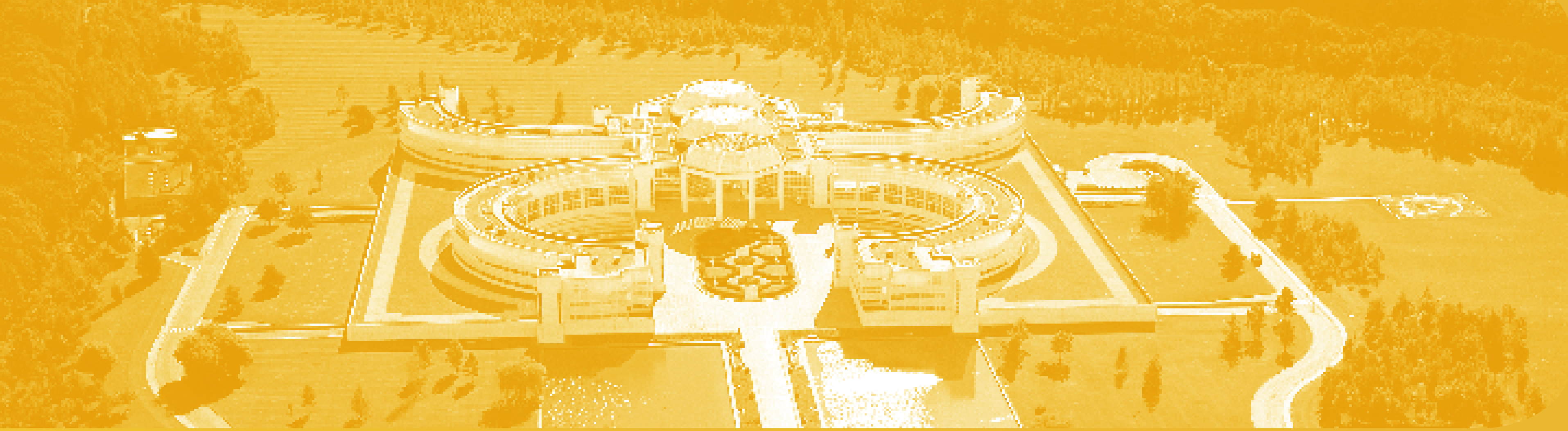
There have also been a great many other achievements:

- Lucie: virtual assistant,
- folding aerial to facilitate maintenance,
- testing and qualification of terminals,
- integration of push-to-talk communication ('walkie-talkie' mode),
- integration of i-mode™,
- e-messaging,
- base stations with autonomous power supplies (wind turbines, solar panels, fuel cells).

Current developments are targeting:

- mobile video. Experiments with test users began in 2005 and will continue through 2006;
- landline/mobile convergence;
- 'post Edge' broadband;
- contactless applications;
- push to X;
- hyperpersonalization.

The technical culture of construction businesses, which has for many years been firmly anchored in people's minds, has over time been enriched by a striving for innovation linked to the appearance and rapid evolution of new technologies in telecoms and the media. The Bouygues group ranks customer-oriented innovation and creativity high among its fundamental values.



Legal and financial information

1. BOARD OF DIRECTORS AND INTERNAL CONTROL

Report of the Chairman of the Board of Directors on the conditions for preparing and organising the Board's work and the internal control procedures introduced by the company (Article L. 225-37 of the Commercial Code).

1.1. Organisation of the Board of Directors

The duration of the appointment of directors, previously six years, was reduced to three years in 2005 for directors appointed, or whose appointments were renewed, at the Annual Meeting of 28 April 2005.

1.1.1. Membership

The Board currently comprises nineteen directors and one non-voting supervisor:

- 17 directors are appointed by the Annual Meeting from amongst the shareholders,
- 2 directors are appointed by the Annual Meeting as representatives of employee shareholders for a two-year term from among the members of the Supervisory boards of the Group's employee savings mutual funds (profit-sharing and corporate savings plans),
- 1 non-voting supervisor: pursuant to Article 18 of the by-laws, the supervisor is responsible for ensuring strict compliance with the by-laws and attends Board meetings in an advisory capacity.

The Board has created four committees to help it carry out its tasks: the Accounts Committee, the Remuneration Committee, the Selection Committee and the Ethics and Sponsorship Committee.

1.1.2. Information about directors (at 31 December 2005)

	Expertise / Experience	Principal positions (outside Bouygues SA)	Other positions and functions
CHAIRMAN AND CEO			
Martin BOUYGUES 1 avenue Eugène Freyssinet 78280 GUYANCOURT - France Date of birth: 03/05/1952 Date of first appointment: 21/01/1982 Expiry date of current term of office: 2006 Number of shares in the company: 150,540 (60,955,725 via SCDM)	Martin Bouygues joined the Bouygues group in 1974 as works supervisor for the construction of the large Parisian shopping complex Les Halles, before working in sales management. In 1978, he helped to establish Maison Bouygues, specialising in the sale of catalogue homes. In 1984, Martin Bouygues began diversifying Maison Bouygues and, together with the Bouygues group, acquired Saur, a water treatment and distribution company. He was appointed Chairman and CEO of Saur two years later. Martin Bouygues became a director of Bouygues in 1982 and was appointed vice-chairman in 1987. On 5 September 1989, Martin Bouygues took over from Francis Bouygues as Chairman and CEO of Bouygues.	**Chairman of SCDM**	Director of TF1, CCF, Sodeci, CIE. Standing representative of SCDM on the board of Actiby and SCDM Participations.

APPOINTMENTS DURING THE LAST FIVE YEARS (outside Bouygues group)

2001	2002	2003	2004	2005
Chairman and CEO and director of SCDM. Director of Actiby.	Chairman and CEO and director of SCDM. Standing representative of SCDM on the board of Actiby.	Chairman and CEO and director of SCDM. Director of CCF. Standing representative of SCDM on the board of Actiby.	Chairman of SCDM. Director of CCF. Standing representative of SCDM on the board of Actiby.	Chairman of SCDM. Director of CCF. Standing representative of SCDM on the board of Actiby and SCDM Participations.

	Expertise / Experience	Principal positions (outside Bouygues SA)	Other positions and functions

DEPUTY CHIEF EXECUTIVE OFFICERS

	Expertise / Experience	Principal positions (outside Bouygues SA)	Other positions and functions
Olivier POUPART-LAFARGE 1 avenue Eugène Freyssinet 78280 GUYANCOURT - France Date of birth: 26/10/1942 Date of first appointment: 17/10/1985 Expiry date of current term of office: 2009 (2008 Deputy CEO) Number of shares in the company: 377,000	Graduate of École des Hautes Études Commerciales (HEC). Olivier Poupart-Lafarge joined the Bouygues group in 1974. He was finance department manager for two years, then he was appointed head of the International Finance Department in 1976, then executive secretary of Bouygues Bâtiment International in 1980 and director of International Finance in 1983. Since 1984, Olivier Poupart-Lafarge has been executive vice-president of Group Finance and Strategy. In June 2002, he was appointed deputy chief executive officer by the Board of Directors of Bouygues.	**Co-CEO of SCDM**	Director of Bouygues Telecom, Colas, TF1 and BIC. Standing representative of Bouygues on the Board of Bouygues Construction and Bouygues Immobilier.

APPOINTMENTS DURING THE LAST FIVE YEARS (outside Bouygues group)

2001	2002	2003	2004	2005
Director of SCDM and BIC.	Director of SCDM and BIC.	Director of BIC.	Director of BIC.	Co-CEO of SCDM. Director of BIC.

	Expertise / Experience	Principal positions (outside Bouygues SA)	Other positions and functions
Olivier BOUYGUES 1 avenue Eugène Freyssinet 78280 GUYANCOURT - France **Standing representative of SCDM, director** Date of birth: 14/09/1950 Date of first appointment: 05/06/1984 Expiry date of current term of office: 2007 (2006 Deputy CEO) Number of shares in the company: 155,815 (60,955,725 via SCDM)	Olivier Bouygues graduated as an engineer from the École Nationale Supérieure du Pétrole (ENSPM). He joined the Bouygues group in 1974. His career began in the group civil works branch. From 1983 to 1988, at Bouygues Offshore, he held the posts of director of the Cameroon subsidiary Boscam, then director of the France Works and Special Projects division. From 1988 to 1992, he was Chairman and CEO of Maison Bouygues. In 1992, he became Group executive vice-president for Utilities Management where the International and French activities of Saur were grouped together. In 1997, Bouygues and Saur acquired Cise, thereby creating the third largest French utilities management group. On 19 November 2004, Saur was sold to PAI partners. Olivier Bouygues became deputy chief executive officer of Bouygues.	**Co-CEO of SCDM**	Chairman of the board of directors and director of Finagestion. Chairman and CEO and director of Seci. Director of TF1, Bouygues Telecom, Colas, Bouygues Construction, Eurosport, Cefina, Novasaur, Sodeci, CIE and Sénégalaise des Eaux. Standing representative of SCDM on the board of SCDM Énergie. Non partner manager of SIR and SIB.

APPOINTMENTS DURING THE LAST FIVE YEARS (outside Bouygues group)

2001	2002	2003	2004	2005
Chief executive officer and director of SCDM. Director of Actiby and Esso.	Deputy chief executive officer and director of SCDM. Director of Actiby and Esso.	Chief executive officer and Director of SCDM. Director of Actiby and Cefina. Manager of SIR.	Chief executive officer and director of SCDM. Manager of SIR and SIB.	Co-CEO of SCDM. Director of Cefina and Novasaur. Manager of SIR and SIB. Standing representative of SCDM on the board of SCDM Énergie.

	Expertise / Experience	Principal positions (outside Bouygues SA)	Other positions and functions
OTHER DIRECTORS			
Pierre BARBERIS 71-73 rue des Hautes Pâtures 92726 NANTERRE cedex - France Date of birth: 29/05/1942 Date of first appointment: 24/06/1997 Expiry date of current term of office: 2009 Number of shares in the company: 500	Graduate of École Polytechnique, and the Institute of French Actuaries. Pierre Barberis began his career at Caisse des Dépôts et Consignations, and joined Crédit Lyonnais in 1966 where in 1974 he became director of information technology and Organisation. From 1979 he was in turn chief executive at Trigano SA, Crédit du Nord and Axa Group. He was vice-chairman of Axa from 1987 to 1991. He then became chairman of VEV and ran several computer software companies. Since May 2002, Pierre Barberis has been deputy chief executive of Oberthur Card Systems.	**Deputy chief executive of Oberthur Card Systems**	Chairman and director of Wilson Gestion. Manager of Amrom.

APPOINTMENTS DURING THE LAST FIVE YEARS (outside Bouygues group)

2001	2002	2003	2004	2005
Chairman and CEO and director of VEV. Manager of Amrom. Chairman of BFB and Prolaine. Chairman and director of: SGQ, Wyde inc., Lainière Holding and Wilson Gestion. Director of Alliance Internationale, Rodier Corp., Vendome Rome and Boostworks.	Chairman and CEO and director of VEV. Chairman and director of Wilson Gestion and SGQ. Chairman of Prolaire and BFB. Director of Alliance Internationale, Wyde Inc, Vendome Rome, Rodier Corp., Lainière Holding and Boostworks. Manager of Amrom.	Chairman and director of Wilson Gestion and VEV. Deputy chief executive and director of Oberthur Card Systems. Director of Alliance Internationale, Boostworks, Lainière Holding and Sengac. Manager of Amrom.	Deputy chief executive and director of Oberthur Card Systems. Chairman and director of Wilson Gestion and VEV. Director of Alliance Internationale, Boostworks, Lainière Holding and Sengac. Manager of Amrom.	Deputy chief executive and director of Oberthur Card Systems. Chairman and director of Wilson Gestion. Director of Alliance Internationale. Manager of Amrom.

Patricia BARBIZET 12 rue François 1er 75008 PARIS - France Date of birth: 17/04/1955 Date of first appointment: 22/12/1998 (standing representative of Artémis) Second appointment: 13/12/2005 Expiry date of current term of office: 2008 (individual capacity) Number of shares in the company: 500	Graduate of the École Supérieure de Commerce de Paris (ESCP). Patricia Barbizet held important posts in the finance department of the Renault group before becoming finance director of the Pinault group in 1989. She has been chief executive - director of Artémis since 1992 and chairman of the supervisory board of the PPR group since 2002.	**Chief executive and director of Artémis**	Vice-chairman and director of PPR. Chief executive and director of Palazzo Grassi. Director of Théâtre Marigny. Chairman and CEO and director of Piasa. Chairman & board member of Christie's International Plc. Director of FNAC, TF1 and Air France. Member of the supervisory board of Gucci and Yves Saint Laurent. Standing representative of Artémis on the board of Sebdo le Point and Agefi. Member of the management board of SC du Vignoble de Château Latour. Chief executive and member of the supervisory board of Financière Pinault (non proxy).

	Expertise / Experience	Principal positions (outside Bouygues SA)	Other positions and functions

APPOINTMENTS DURING THE LAST FIVE YEARS (outside Bouygues group)

2001	2002	2003	2004	2005
Chief executive and director of Artémis. Chairman of the supervisory board of Pinault-Printemps-Redoute. Chairman of the Board of Directors of Théâtre Marigny. Chairman and CEO of Piasa. Board member of Christie's International Plc. Director of FNAC. Member of the supervisory board of Yves Saint Laurent Parfums, Yves Saint Laurent Couture, Yves Saint Laurent Haute Couture and Gucci. Standing representative of Artémis on the board of Rexel, Sebdo le Point and Agefi. Member of the management board of SC du Vignoble de Château Latour. Chief executive of Financière Pinault (non proxy). Member of the financial markets council.	Chief executive and director of Artémis. Chairman of the supervisory board of Pinault-Printemps-Redoute. Chairman of the Board of Directors of Théâtre Marigny. Chairman and CEO of Piasa. Board member of Christie's International Plc. Director of FNAC. Member of the supervisory board of Yves Saint Laurent Parfums, Yves Saint Laurent Couture, Yves Saint Laurent Haute Couture, and Gucci. Standing representative of Artémis on the board of Agefi, Sebdo le Point. Member of the management board of SC du Vignoble de Château Latour. Chief executive of Financière Pinault (non proxy). Member of the financial markets council.	Chief executive and director of Artémis. Chairman of the supervisory board of Pinault-Printemps-Redoute. Chairman of the Board of Directors of Théâtre Marigny. Chairman and CEO of Piasa. Chairman and board member of Christie's International Plc. Director of FNAC and Air France. Member of the supervisory board of Gucci, Yves Saint Laurent Parfums, Yves Saint Laurent. Standing representative of Artémis on the board of Sebdo le Point and Agefi. Member of the management board of SC du Vignoble de Château Latour. Chief executive of Financière Pinault (non proxy). Member of the financial markets council.	Chief executive and director of Artémis. Chairman of the supervisory board of Pinault-Printemps-Redoute. Chairman of the Board of Directors of Théâtre Marigny. Chairman and CEO and director of Piasa. Chairman and board member of Christie's International Plc. Director of FNAC and Air France. Member of the supervisory board of Financière Pinault, Gucci, Yves Saint Laurent Parfums, Yves Saint Laurent. Standing representative of Artémis on the board of Sebdo le Point and Agefi. Member of the management board of SC du Vignoble de Château Latour. Chief executive of Financière Pinault (non proxy).	Chief executive and director of Artémis. Chairman of the supervisory board of Pinault-Printemps-Redoute. Vice-chairman and director of PPR. Chief executive and director of Palazzo Grassi. Chairman of Théâtre Marigny. Director of Théâtre Marigny. Chairman and CEO and director of Piasa. Chairman and board member of Christie's International Plc. Director of FNAC and Air France. Member of the supervisory board of Financière Pinault, Gucci and Yves Saint Laurent. Standing representative of Artémis on the board of Sebdo le Point and Agefi. Member of the management board of SC du Vignoble de Château Latour. Chief executive of Financière Pinault (non proxy).

Madame Francis BOUYGUES 50 rue Fabert 75007 PARIS - France Date of birth: 21/06/1924 Date of first appointment: 19/10/1993 Expiry date of current term of office: 2006 Number of shares in the company: 110 (5,290,034 via FMB)		-	-

APPOINTMENTS DURING THE LAST FIVE YEARS (outside Bouygues group)

2001	2002	2003	2004	2005
-	-	-	-	-

Georges CHODRON de COURCEL 3 rue d'Antin 75002 PARIS - France Date of birth: 20/05/1950 Date of first appointment: 30/01/1996 Expiry date of current term of office: 2006 Number of shares in the company: 930	Graduate in economics and of the École Centrale de Paris. Georges Chodron de Courcel joined BNP in 1972, where he became head of financial research in the finance department in 1978, then executive secretary of Banexi in 1982. He then became director of securities management and director of finance and industrial investment. In 1989, he was appointed Chairman of Banexi, then central director of BNP in 1990. In 1995, he became executive vice-president then chief executive of BNP from 1996 to 1999. After the merger with Paribas in August 1999, Georges Chodron de Courcel became head of the finance and investment arm of BNP Paribas from 1999 to 2003. He has been deputy chief executive of BNP Paribas since June 2003.	**Deputy chief executive of BNP Paribas**	Director of Nexans, Alstom and FFP (Foncière Financière Participations). Member of the supervisory board of Lagardère SCA. Supervisor of Scor SA, Scor Vie and Safran.

APPOINTMENTS DURING THE LAST FIVE YEARS (outside Bouygues group)

2001	2002	2003	2004	2005
Member of the executive committee of BNP Paribas. Director of Scor SA and Nexans. Member of the supervisory board of Lagardère SCA and Sommer SA.	Member of the executive committee of BNP Paribas. Director of Scor SA, Nexans and Alstom. Member of the supervisory board of Lagardère SCA and Sommer SA.	Member of the executive committee of BNP Paribas. Director of Nexans and Alstom. Member of the supervisory board of Lagardère SCA. Director, then Supervisor of Scor SA.	Deputy chief executive of BNP Paribas. Director of Nexans and Alstom. Member of the supervisory board of Lagardère SCA and Sagem. Supervisor of Scor SA and Scor Vie.	Deputy chief executive of BNP Paribas. Director of Nexans, Alstom and FFP (Foncière Financière Participations). Member of the supervisory board of Lagardère SCA and Sagem, now called Safran (appointed as Supervisor). Supervisor of Scor SA and Scor Vie.

	Expertise / Experience	Principal positions (outside Bouygues SA)	Other positions and functions
Charles de CROISSET 4 rue Barye 75017 PARIS - France Date of birth: 28/09/1943 Date of first appointment: 09/09/2003 Expiry date of current term of office: 2010 Number of shares in the company: 5,000	Graduate of the Institut d'Études Politiques de Paris (IEP) and the École Nationale d'Administration (ENA) and with a degree in law. Charles de Croisset joined the French Finance Ministry as Inspector in 1968. He was head of the private office of the Minister for Industry in 1979 and joined Crédit Commercial de France (CCF) in 1980 as executive secretary. He became executive vice-president of CCF in 1983, and then chief executive and director in 1987. He was then appointed head of the private office of the Finance Minister (1987 - 1988). In 1993, he was appointed Chairman and CEO of CCF, and in 2000, chief executive and director of HSBC Holdings Plc and director of HSBC Bank Plc. In March 2004, Charles de Croisset became Vice-chairman Europe of Goldman Sachs.	**Vice Chairman Europe at Goldman Sachs**	Chairman of Fondation du Patrimoine. Director of Renault and Thales. Member of the supervisory board of Euler & Hermes. Member of the college of supervisors of Galeries Lafayette.

APPOINTMENTS DURING THE LAST FIVE YEARS (outside Bouygues group)

2001	2002	2003	2004	2005
Chairman of CCF. Chairman of Nobel. Chairman of the Supervisory Board of CCF Charterhouse. Vice-chairman of CCF Holding Suisse. Director of SA des Galeries Lafayette, Euler, Société des Amis du Louvre and the Institut Pasteur. Member of the Supervisory Board of HSBC-CCF Asset Management Europe.	Chairman and CEO of CCF. Executive Director of HSBC Holdings Plc. Director of HSBC Bank Plc and HSBC CCF Asset Management Group. Member of the Board of Directors of HSBC Guyerzeller Bank SA. Chairman of the Supervisory Board of Nobel. Member of the Supervisory Board of Galeries Lafayette and Euler. Standing representative of SRRE Luxembourg on the board of SOMAREL.	Chairman and CEO of CCF. Member of the Board of Directors of HSBC Guyerzeller Bank SA and HSBC Private Holding (Suisse) SA. Member of the Supervisory Board of Euler & Hermes and SA des Galeries Lafayette. Director of HSBC CCF Asset Management Group and HSBC Bank Plc. Executive Director of HSBC Holdings Plc. Standing representative of SRRE Luxembourg on the board of SOMAREL.	Chairman and CEO of CCF. Member of the Supervisory Board of Euler & Hermes and SA des Galeries Lafayette. Director of HSBC CCF Asset Management Holding, HSBC Bank Plc, HSBC Holding Plc and HSBC Private Banking Holdings. Member of the Board of Directors of HSBC Guyerzeller Bank AG.	Chairman of Fondation du Patrimoine. Director of Renault and Thales. Member of the Supervisory Board of Euler & Hermes. Member of the college of supervisors of Galeries Lafayette.

	Expertise / Experience	Principal positions (outside Bouygues SA)	Other positions and functions
Michel DERBESSE 64 avenue Raymond Poincaré 75116 PARIS - France Date of birth: 25/04/1935 Date of first appointment: 05/06/1984 Expiry date of current term of office: 2008 Number of shares in the company: 111,434	Graduate engineer from the École Spéciale des Travaux Publics (ESTP). Michel Derbesse joined Bouygues in 1962. He began his career as site engineer, and continued in the Group's network of regional construction subsidiaries. He was appointed deputy CEO of GFC (Lyon) in 1975, then chairman and CEO of Dalla Vera (Orléans) in 1977, chief executive then chairman and CEO of GFC in 1978 and then COO of the whole regional network of construction companies in 1982. He became Group executive vice-president for Construction (building/civil works and roadworks) in 1986. He was chairman of Screg from 1986 to 1996. From October 1995 to March 2005, he was COO then deputy chief executive of the Bouygues group.	**Director of FNTP**	Director of Société Fermière du Casino Municipal de Cannes.

APPOINTMENTS DURING THE LAST FIVE YEARS (outside Bouygues group)

2001	2002	2003	2004	2005
Director of SCDM and FNTP.	Director of SCDM and FNTP.	Director of FNTP.	Director of FNTP.	Director of FNTP and of Société Fermière du Casino Municipal de Cannes.

	Expertise / Experience	Principal positions (outside Bouygues SA)	Other positions and functions
Lucien DOUROUX 20 rue de la Baume 75008 PARIS - France Date of birth: 16/08/1933 Date of first appointment: 30/03/1999 Expiry date of current term of office: 2007 Number of shares in the company: 500	Graduate of the Conservatoire National des Arts et Métiers (CNAM). Lucien Douroux was appointed chief executive of Caisse Régionale du Crédit Agricole de Paris et d'Île-de-France in 1976. He was chief executive of Caisse Nationale du Crédit Agricole from 1993 to 1999, and was appointed chairman of the supervisory board of Crédit Agricole Indosuez from 1999 to 2001.	**Chairman and director of Banque de Gestion Privée Indosuez**	Director of Euris.

	Expertise / Experience	Principal positions (outside Bouygues SA)	Other positions and functions

APPOINTMENTS DURING THE LAST FIVE YEARS (outside Bouygues group)

2001	2002	2003	2004	2005
Chairman of the Board of Directors and Director of Banque de Gestion Privée. Chairman of the supervisory board of Crédit Agricole Indosuez and Fonds de Garantie des Dépôts. Member of the supervisory board of Suez-Lyonnaise des Eaux. Vice-chairman of the Board of Directors of Wafabanq. Director of Euris.	Chairman of the Board of Directors and director of Banque de Gestion Privée. Chairman of the supervisory board of Fonds de Garantie des Dépôts. Vice-chairman of the Board of Directors of Wafabanq. Director of Suez and Euris.	Chairman of the Board of Directors and director of Banque de Gestion Privée. Chairman of the supervisory board of Fonds de Garantie des Dépôts. Vice-chairman of the Board of Directors of Wafabanq. Director of Suez and Euris.	Chairman of the Board of Directors and director of Banque de Gestion Privée. Chairman of the supervisory board of Fonds de Garantie des Dépôts. Vice-chairman of the Board of Directors of Wafabanq. Director of Suez and Euris.	Chairman of the Board of Directors and director of Banque de Gestion Privée. Director of Suez and Euris.

Alain DUPONT 7 place René Clair 92653 BOULOGNE-BILLANCOURT cedex France Date of birth: 31/07/1940 Date of first appointment: 07/10/1997 Expiry date of current term of office: 2008 Number of shares in the company: 2,300	Graduate of the École Spéciale des Travaux Publics (ESTP). Alain Dupont began his career as site engineer at Screg in 1965. He was works manager at Orly airport in 1968, and was then appointed branch office manager in 1970, then Île-de-France regional manager in 1975 and Chairman and CEO of Screg Île-de-France in 1978. In 1983, Alain Dupont was appointed deputy CEO of Colas, before becoming director and chief executive in 1985, and then Chairman and CEO in 1987.	**Chairman and CEO of Colas SA**	Chairman and CEO of Colasie. Chairman of the Board of Directors and Director of Colas Inc. Director of Colas Île-de-France Normandie, Colas Rhône-Alpes, Smac, Spac, Société Parisienne d'Études d'Informatique et de Gestion, Colas Suisse Holding, Colascanada, Colas Ltd, Colas Danmark, Hindustan Colas Ltd and of the Professional Association of Public Works Contractors in France and Overseas. Director of Tasco. Standing representative of Colas on the board of Colas Centre-Ouest, Colas Midi-Méditerranée, Colas Sud-Ouest, Cofiroute and Somaro. Representative of Colas on the supervisory board of Grands Travaux Routiers and Colas Émulsions. Standing representative of Spare on the board of Colas Est. Standing representative of SPRI on the board of Colas Nord-Picardie. Member of the supervisory board of La Route Marocaine and Société Moghrébienne d'Entreprises et de Travaux. Vice-chairman of FNTP.

APPOINTMENTS DURING THE LAST FIVE YEARS (outside Bouygues group)

2001	2002	2003	2004	2005
Standing representative of Colas on the board of Cofiroute. Vice-chairman of FNTP. Director of the Association of Public Works Contractors in France. Director of USIRF. Chairman and Treasurer of URF. Director of CNETP. Vice-chairman of SEFI.	Standing representative of Colas on the board of Cofiroute. Vice-chairman of FNTP. Director of the Association of Public Works Contractors in France. Director of USIRF. Vice-chairman of SEFI. Director of CNETP.	Standing representative of Colas on the board of Cofiroute. Vice-chairman of FNTP. Director of the Association of Public Works Contractors in France. Director of USIRF. Vice-chairman of CNETP. Director of IFRI. Director of SMAvieBTP.	Standing representative of Colas on the board of Cofiroute. Vice-chairman of FNTP. Vice-chairman of CNETP. Director of the Association of Public Works Contractors in France. Director of USIRF. Director of IFRI. Director of SMAvieBTP.	Standing representative of Colas on the board of Cofiroute. Chairman of CNETP. Vice-chairman of FNTP. Director of the Association of Public Works Contractors in France. Director of USIRF. Director of IFRI. Director of SMAvieBTP.

	Expertise / Experience	Principal positions (outside Bouygues SA)	Other positions and functions
Yves GABRIEL 1 avenue Eugène Freyssinet 78280 GUYANCOURT - France Date of birth: 19/03/1950 Date of first appointment: 10/09/2002 Expiry date of current term of office: 2010 Number of shares in the company: 18,000	Graduate civil engineer from Ponts et Chaussées. Yves Gabriel joined the Bouygues group in 1976. His career began at Screg Île-de-France as works engineer; he then became head of sector and manager of a regional branch office. In 1985 he established Screg Bâtiment where he was chief executive until 1992. From 1989 to 1992, he was also appointed chief executive of Bouygues' industrial construction division and was chairman of Ballestrero. From 1992 to 1996, he was chief executive of the Screg group (third-largest French company in the roadworks sector). In November 1996, he joined the Saur group as executive vice-president responsible for activities in France and the merger with the Cise group. In June 2000, he was appointed chief executive of the Saur group. In September 2002, he was appointed Chairman and CEO of Bouygues Construction.	**Chairman and CEO of Bouygues Construction**	Director of ETDE and FNTP. Standing representative of Bouygues Construction on the board of Bouygues Bâtiment International, Bouygues Bâtiment Île-de-France and Bouygues Travaux Publics.

APPOINTMENTS DURING THE LAST FIVE YEARS (outside Bouygues group)

2001	2002	2003	2004	2005
-	-	Director of FNTP.	First vice-chairman and director of SEFI. Director of FNTP.	First vice-chairman and director of SEFI. Director of FNTP.

	Expertise / Experience	Principal positions (outside Bouygues SA)	Other positions and functions
Jean-Michel GRAS 3-5 avenue Morane Saulnier 78944 VÉLIZY cedex - France **Representative of the employee mutual investment funds** Date of birth: 20/10/1970 Date of first appointment: 28/04/2005 Expiry date of current term of office: 2007	Jean-Michel Gras joined Bouygues Telecom in 1996 as purchasing quality engineer. He then carried out network information systems project management assignments. He is currently head of computer purchasing at Bouygues Telecom.	-	

APPOINTMENTS DURING THE LAST FIVE YEARS (outside Bouygues group)

2001	2002	2003	2004	2005
-	-	-	-	-

	Expertise / Experience	Principal positions (outside Bouygues SA)	Other positions and functions
Thierry JOURDAINE 1 avenue Eugène Freyssinet 78280 GUYANCOURT - France **Representative of the employee mutual investment funds** Date of birth: 08/06/1963 Date of first appointment: 16/12/2003 Expiry date of current term of office: 2007	Thierry Jourdaine joined Bouygues in 1985 as works supervisor. He was head of quality management at Bouygues Bâtiment Residential Division from 1996 to 2001. Thierry Jourdaine then became head of quality management at Bouygues Bâtiment International.	-	

APPOINTMENTS DURING THE LAST FIVE YEARS (outside Bouygues group)

2001	2002	2003	2004	2005
-	-	-	-	-

	Expertise / Experience	Principal positions (outside Bouygues SA)	Other positions and functions
Patrick LE LAY 1 quai du Point du jour 92656 BOULOGNE-BILLANCOURT - France Date of birth: 07/06/1942 Date of first appointment: 24/04/1986 Expiry date of current term of office: 2008 Number of shares in the company: 118,150	Graduate engineer from the École Spéciale des Travaux Publics (ESTP), Institut d'Études Politiques de Paris (IEP), Centre des Hautes Études de la Construction and Centre de Préparation aux Affaires. Patrick Le Lay joined the Bouygues group in 1981. He was initially deputy company secretary then company secretary of Bouygues, and became head of the Group Diversification division in 1984. Following the privatisation of TF1 in 1987, Patrick Le Lay became vice-chairman and CEO, then Chairman and CEO in 1988.	**Chairman and CEO of TF1**	Director of Colas and Prima TV. Chairman of Incunables & Co. Member of the supervisory board of La Chaîne Française d'Information Internationale - CFII. Standing representative of TF1 on the board of Téléma. Standing representative of TPS Sport on the board of TPS Motivation. Standing representative of TF1 Développement on the board of Télévision par Satellite Gestion. Chairman and CEO of TV Breizh. Standing representative of TV Breizh on the board of TVB Nantes.

APPOINTMENTS DURING THE LAST FIVE YEARS (outside Bouygues group)

2001	2002	2003	2004	2005
Standing representative of TF1 on the board of GIE SOGEDIF and Société d'Administration et de Gestion de l'Audiovisuel Sportif - SAGAS.	Standing representative of TF1 on the board of GIE SOGEDIF and Société d'Administration et de Gestion de l'Audiovisuel Sportif - SAGAS.	-	-	-

	Expertise / Experience	Principal positions (outside Bouygues SA)	Other positions and functions
Jean PEYRELEVADE 23-27 rue Cambon 75001 PARIS - France Date of birth: 24/10/1939 Date of first appointment: 25/01/1994 Expiry date of current term of office: 2007 Number of shares in the company: 3,750	Graduate of the École Polytechnique, Institut d'Études Politiques (IEP) and civil aviation engineer in chief. Jean Peyrelevade was deputy head of the private office of the Prime Minister in 1981, and in 1983 became chairman of Compagnie Financière de Suez and, at the same time, of Banque Indosuez. He was appointed Chairman and CEO of Banque Stern, then in 1988 became chairman of UAP, before becoming chairman of Crédit Lyonnais in 1993 for 10 years.	**Vice-chairman of Quadrature (formerly-Toulouse et associés)**	Director of Suez and of Société Monégasque d'Électricité et de Gaz. Member of the supervisory board of CMA-CGM.

APPOINTMENTS DURING THE LAST FIVE YEARS (outside Bouygues group)

2001	2002	2003	2004	2005
Chairman of the Board of Directors and director of Crédit Lyonnais. Director of AGF, Lyonnaise des Eaux, Club Méditerranée, Air Liquide, LVMH, Power Corporation of Canada and MK2. Standing representative of Crédit Lyonnais on the board of Lagardère Group.	Chairman of the Board of Directors and director of Crédit Lyonnais. Director of AGF, Lyonnaise des Eaux-Suez, Club Méditerranée, LVMH, Power Corporation of Canada and MK2. Standing representative of Crédit Lyonnais on the board of Lagardère Group.	Chairman of the Board of Directors and director of Crédit Lyonnais. Director of Lyonnaise des Eaux, LVMH and Power Corporation of Canada. Standing representative of Crédit Lyonnais on the board of Lagardère Group.	Director of Suez and Power Corporation of Canada. Member of the supervisory board of Groupe Express-Expansion.	Co-manager of Quadrature (Toulouse et associés). Director of Suez and Société Monégasque d'Électricité et de Gaz. Member of the supervisory board of CMA-CGM.

	Expertise / Experience	Principal positions (outside Bouygues SA)	Other positions and functions
François-Henri PINAULT 10 avenue Hoche 75008 PARIS - France Date of birth: 28/05/1962 Date of first appointment: 22/12/1998 (Standing representative of Financière Pinault) Second appointment: 13/12/2005 (individual capacity) Expiry date of current term of office: 2010 Number of shares in the company: 500	Graduate of the École des Hautes Études Commerciales (HEC). François-Henri Pinault has spent his whole career within the PPR group. He was chief executive of France Bois Industries from 1989 to 1990 and was appointed Chairman and CEO of Pinault Distribution in 1991. In 1993, he became chairman of CFAO. He was appointed chairman of the FNAC Group in 1997, and was then executive vice-president of PPR Group and then head of Internet activities and chairman of the supervisory board of PPR-Interactive from 2000 to 2001. Since 2003, François-Henri Pinault has been chairman of the Board of Directors and director of Artémis. In 2005, he became chairman of the Board of Directors and then Chairman and CEO of PPR.	**Chairman and CEO of PPR**	Managing partner of Financière Pinault. Chairman of the Board of Directors of Artémis. Vice-chairman of the supervisory board of Boucheron Holding. Director of Simetra Obligations, FNAC and Soft Computing. Member of the supervisory board of Gucci Group NV and Yves Saint Laurent SAS. Member of the management committee of SC du Vignoble de Château Latour.

APPOINTMENTS DURING THE LAST FIVE YEARS (outside Bouygues group)

2001	2002	2003	2004	2005
Managing partner of Financière Pinault. Chief executive and director of Artémis. Member of the Board of Directors of Pinault-Printemps-Redoute. Member of the supervisory board of Pinault-Printemps-Redoute and Gucci Group NV. Director of FNAC, Rexel, Finaref and Soft Computing. Chairman of the supervisory board of PPR Interactive. Standing representative of Artémis on the Board of Guilbert and Conforama. Member of the management committee of SC du Vignoble de Château Latour.	Manager and active partner of Financière Pinault. Chief executive and director of Artémis. Member of the supervisory board of Pinault-Printemps-Redoute. Member of the supervisory board of Gucci Group NV. Director of FNAC, Soft Computing and Afipa. Standing representative of Artémis on the Board of Guilbert and Conforama. Member of the management committee of SC du Vignoble de Château Latour.	Managing partner of Financière Pinault. Chairman of the Board of Directors, deputy chief executive and director of Artémis. Member of the supervisory board of Pinault-Printemps-Redoute and Gucci Group NV. Vice-chairman of the supervisory board of Pinault-Printemps-Redoute. Director of FNAC, Afipa and Soft Computing. Chairman and CEO of Simetra Obligations. Standing representative of Artémis on the Board of Guilbert and Conforama Holding. Member of the management committee of SC du Vignoble de Château Latour.	Managing partner of Financière Pinault. Chairman of the Board of Directors of Artémis. Vice-chairman of the supervisory board of Pinault-Printemps-Redoute. Chairman and CEO of Simetra Obligations. Member of the supervisory board of Gucci Group NV and Boucheron Holding. Director of FNAC, Afipa and Soft Computing. Standing representative of Artémis on the Board of Conforama Holding. Member of the management committee of SC du Vignoble de Château Latour.	Managing partner of Financière Pinault. Chairman of the Board of Directors of Artémis. Vice-chairman and member of the supervisory board of Pinault-Printemps-Redoute. Member of the Board of Directors of Pinault-Printemps-Redoute. Chairman and CEO of PPR. Chairman and CEO of Simetra Obligations. Director of Simetra Obligations, Palazzo Grassi, FNAC and Soft Computing. Vice-chairman of the supervisory board of Boucheron Holding. Director of Afipa. Chairman and member of the supervisory board of Gucci Group NV. Member of the supervisory board of Yves Saint Laurent SAS. Member of the management committee of SC du Vignoble de Château Latour.

	Expertise / Experience	Principal positions (outside Bouygues SA)	Other positions and functions
Alain POUYAT 1 avenue Eugène Freyssinet 78280 GUYANCOURT - France Date of birth: 28/02/1944 Date of first appointment: 22/04/2004 Expiry date of current term of office: 2010 Number of shares in the company: 209,320	Graduate of the École Nationale Supérieure des Arts et Métiers (ENSAM). Alain Pouyat joined Bouygues in 1970. He started as a computer engineer and was appointed IT manager in 1981 followed by Group IT director in 1986. He has been executive vice-president for Information Systems and New Technologies of the Group since 1988.	-	Director of Bouygues Telecom, C2S, TF1, Speig and ETDE.

APPOINTMENTS DURING THE LAST FIVE YEARS (outside Bouygues group)

2001	2002	2003	2004	2005
Director of World Online France.	-	Supervisor of Wanadoo.	Supervisor of Wanadoo.	-

	Expertise / Experience	Principal positions (outside Bouygues SA)	Other positions and functions
Michel ROUGER 30 rue Claude Lorrain 75016 PARIS - France Date of birth: 08/12/1928 Date of first appointment: 30/01/1996 Expiry date of current term of office: 2008 Number of shares in the company: 500	Graduate of the Institut Technique de Prévision Economique et Sociale. Michel Rouger took part in the establishment and development of Banque Sofinco (1956-1984), as director of operations and risk. In 1985, he joined the Suez group as executive vice-president of Sofiroute, where he ran various subsidiaries - chairman of Céfina and chief executive of Cogiroute - until 1991. He has been a judge at the commercial court of Paris since 1980, and was presiding judge of the court between 1992 and 1995. He was chairman of the Consortium de Réalisation (CDR) between 1995 and 1998, and continues to carry on the activities of consulting, mediation and independent directorships.	-	Member of the supervisory board of Centuria. Director of Compagnie Financière M.I. 29. Chairman of the supervisory board of Sharing Knowledge. Manager of Michel Rouger Conseil.

APPOINTMENTS DURING THE LAST FIVE YEARS (outside Bouygues group)

2001	2002	2003	2004	2005
Chairman of Angelynvest. Member of the supervisory board of De Broeck University and Lagardère Group. Manager of Michel Rouger Conseil.	Chairman of Angelynvest. Member of the supervisory board of De Broeck University and Lagardère Group. Manager of Michel Rouger Conseil.	Chairman of Promega. Director of De Broeck Diffusion and Compagnie Financière M.I. 29. Member of the supervisory board of Lagardère Group and Centuria. Manager of Michel Rouger Conseil.	Chairman of Promega. Director of Compagnie Financière M.I. 29. Member of the supervisory board of Lagardère Group and Centuria. Manager of Michel Rouger Conseil.	Member of the supervisory board of Centuria. Director of Compagnie Financière M.I. 29. Chairman of Emer Parcs. Manager of Michel Rouger Conseil.

SCDM 1 avenue Eugène Freyssinet 78280 GUYANCOURT - France Number of shares in the company: 60,955,725			Chairman of Actiby, SCDM Énergie and SCDM Participations.

APPOINTMENTS DURING THE LAST FIVE YEARS (outside Bouygues group)

2001	2002	2003	2004	2005
-	-	Chairman of Actiby.	Chairman of Actiby.	Chairman of Actiby, SCDM Énergie and SCDM Participations.

SUPERVISOR

Philippe MONTAGNER 1 avenue Eugène Freyssinet 78280 GUYANCOURT - France Date of birth: 04/12/1942 Date of first appointment: 24/04/2003 Expiry date of current term of office: 2009 Number of shares in the company: 110,385	Graduate of the École Spéciale des Travaux Publics (ESTP) and the Centre des Hautes Études du Béton Armé et Précontraint. Philippe Montagner joined the Bouygues group in 1968 and managed some of the largest projects carried out by the Group (University of Riyadh, Channel Tunnel) as well as running several important subsidiaries. Since 1994, he has run the Telecommunications division of the Bouygues group. Philippe Montagner was chairman of Bouygues Telecom from June 1994 to February 2004 and again since October 2005.	**Chairman and CEO and Director of Bouygues Telecom**	Vice-chairman and member of the supervisory board of Ginger Groupe Ingénierie Europe. Director of TF1, ETDE, Bouygues Immobilier and TPS Gestion.

APPOINTMENTS DURING THE LAST FIVE YEARS (outside Bouygues group)

2001	2002	2003	2004	2005
-	-	-	-	Vice-chairman and member of the supervisory board of Ginger Groupe Ingénierie Europe.

■ Bouygues' position with regard to the current corporate governance regime

In order to ensure transparency and good corporate governance, Bouygues intends to comply with the recommendations of the European Commission Recommendation dated 15 February 2005 relating to the role of directors, and with the provisions of the report entitled "corporate governance of listed companies" published in October 2003 under the aegis of the French Association of Private Companies (AFEP) and the French Business Movement (MEDEF). These principles particularly underpin the rules of procedure of the Board of Directors. However, the company does not comply exactly with some recommendations (meeting of external directors without internal directors in attendance; committees comprising at least three members).

■ Combining the functions of Chairman and of Chief Executive Officer in one position

The general management of the company is the responsibility of the Chairman of the Board of Directors. This appeared to be the appropriate choice, since Martin Bouygues has always been heavily involved in operational activities.

■ Independence of directors

The Board of Directors has carried out an assessment of its members and considered what proportion of them are independent directors.

The European Commission Recommendation dated 15 February 2005 emphasises that when independence criteria are applied, the Board of Directors should attach more importance to substance than to form. Like the AFEP-MEDEF report of October 2003, it states that independence must be understood as the absence of any substantial conflict of interest likely to influence a director's judgment. These are the main factors taken into consideration by the Board when making its assessment.

After having examined the situation of each of the directors, the Board considers Pierre Barberis, Georges Chodron de Courcel, Charles de Croisset, Lucien Douroux, Jean Peyrelevade and Michel Rouger to be independent directors within the meaning of the European Commission Recommendation and of the AFEP-MEDEF report. Lucien Douroux and Jean Peyrelevade have held management positions with financial establishments that have a business relationship with the company, but they have not held such positions for a number of years, and furthermore the establishments concerned have undergone substantial changes since that time. The Selection Committee, having examined the relationship between Bouygues and BNP Paribas, has also concluded that Georges Chodron de Courcel is not in a situation of a substantial conflict of interest.

The Board takes the view that none of these persons is connected with the company, with the shareholders controlling it or with its management by a relationship creating such a conflict of interest.

These six directors are therefore considered as independent in the light of the European Commission Recommendation and the AFEP-MEDEF report.

Six out of 17 of the directors are therefore independent, representing one third of the members of the Board of Directors as recommended by the AFEP-MEDEF report. The Board takes the view that its current composition, characterised by the presence of directors representing substantial shareholders and directors exercising managerial functions within the Group, but also by a relatively high proportion of independent directors, contributes to good corporate governance.

■ Family relationships

Martin Bouygues, Olivier Bouygues and Madame Francis Bouygues are directly related.

■ Potential conflicts of interest

Article 5 of the rules of procedure of the Board of Directors provides for directors to undertake to inform the Chairman of the Board of Directors of any situation of conflict of interest, even of a potential nature, and not take part in the vote on any resolution which directly or indirectly concerns them.

Georges Chodron de Courcel is Deputy chief executive of BNP Paribas, a company which may have occasion to offer banking services or support to the Group.

The major shareholders of the Group (SCDM and companies in the Pinault group, which together own 25.99% of the capital, and Madame Francis Bouygues) are directly or indirectly represented on the Board of Directors by Martin Bouygues, Olivier Poupart-Lafarge, Olivier Bouygues, Patricia Barbizet, Madame Francis Bouygues and François-Henri Pinault.

Martin Bouygues, Olivier Poupart-Lafarge, Oliver Bouygues, Patricia Barbizet, Alain Dupont, Patrick Le Lay, Yves Gabriel and Alain Pouyat are corporate officers or directors of various companies in the Bouygues group.

As far as Bouygues is aware, there are no other potential conflicts of interest, from the corporate point of view, between the duties of any of the members of the Board of Directors and their private interests and / or other duties.

■ Judgments and orders

As far as the company is aware, during the last five years, none of the members of the management bodies:

- has been found guilty of fraud,
- has been associated with any insolvency, sequestration or liquidation,
- has been incriminated or subject to official public sanction by any statutory or regulatory body, including professional bodies,
- has been prevented by a court from acting as a member of an issuer's administrative, management or supervisory body or from being involved in an issuer's management or the conduct of its business.

■ Other information

Patricia Barbizet and François-Henri Pinault were selected as members of the Board of Directors pursuant to the shareholders' agreement entered into between SCDM and Artémis, the main provisions of which are summarised on page 132 of this document. No other member of the Board of Directors has been selected pursuant to any arrangement or agreement entered into with the company's principal shareholders, customers, suppliers or other persons, and no such other arrangements or agreements exist.

The members of the Board of Directors have not agreed to any restriction in relation to the sale of their investment in the capital of the company, with the exception of the rules relating to the prevention of insider dealing and the obligation contained in the by-laws whereby each director must be the owner of at least 10 shares in the company, on the understanding that the rules of procedure of the Board of Directors recommend that each director should be the owner of at least 500 shares in the company throughout his or her term of office.

With the exception of the employment contracts of salaried directors, there are no service contracts in existence between the members of the Bouygues Board of Directors and any of the company's subsidiaries which provide for the granting of any benefits (subject to the contract between SCDM and Bouygues which has been approved under the regulated agreements procedure).

1.1.3 Assessment of the Board of Directors

In accordance with the provisions of the AFEP-MEDEF report, once a year the Board of Directors devotes an item on its agenda to the assessment of its own operations.

This principle of governance has been included in the Board's rules of procedure.

Thus, on 13 December 2005, the Board of Directors devoted an item on its agenda to a discussion of its organisation and operations. A questionnaire and a note on the Board's operations had been circulated to directors in advance to enable useful preparation for this exchange.

At the meeting, directors representing the employee mutual funds expressed a wish to have a meeting with one of the Group's directors before Board meetings, in order to improve preparation for such meetings and better understand the challenges and strategic decisions involved. It was decided that at their request, these directors could meet Olivier Poupart-Lafarge, Deputy CEO, before meetings of the Board of Directors.

It was also decided to institute a system of notation in order for each director to be able to express his or her opinion more precisely on the various operational aspects of the Board. This procedure will be implemented at the next review of the Board's operations.

1.1.4. Changes to the membership of the Board

■ Changes to the membership of the Board in 2005

The Annual Meeting on 28 April 2005 renewed the appointment of Michel Rouger as director and appointed two directors, Thierry Jourdaine and Jean-Michel Gras, as representatives of the employee mutual funds.

On 13 December 2005 Artémis, Financière Pinault and Tennessee resigned from office as directors.

On the same date, the Board of Directors co-opted as directors François-Henri Pinault (as a replacement for Financière Pinault) and Patricia Barbizet (as a replacement for Artémis). François-Henri Pinault and Patricia Barbizet were previously the permanent representatives of Financière Pinault and Artémis on the Board of Directors, respectively.

■ Changes to the membership of the Board proposed to the Annual Meeting

Renewal of the term of office of three directors

The Annual Meeting on 27 April 2006 will be asked to renew the appointments of Martin Bouygues, Monique Bouygues and Georges Chodron de Courcel, for a three-year term.

Information about these directors appears on pages 108 and 111 of this document.

Ratification of the co-option of two directors

The Annual Meeting on 27 April 2006 will be asked to ratify the co-option as directors of Patricia Barbizet, in place of Artémis, and François-Henri Pinault, in place of Financière Pinault, for the remainder of their terms of office.

Information about these directors appears on pages 110 and 116 of this document.

Appointment of a new director

The Annual Meeting on 27 April 2006 will be asked to appoint a new director, François Bertière, for a three-year term.

François Bertière was born on 17 September 1950, is a graduate of the Ecole Polytechnique, the Ecole Nationale des Ponts et Chaussées engineering school, and a qualified architect. He started his career at the Ministry of Infrastructure. He was a technical adviser at the Education Ministry and then Deputy Director at the Department of Infrastructure of Upper Corsica, before becoming Director of Urban Development at the Public Development Office of Cergy-Pontoise. He joined the Bouygues Group in 1985 as Deputy CEO of Française de Construction. He was then appointed CEO and subsequently Chairman and CEO of France Construction. In 1998, he became Vice-Chairman and CEO of Bouygues Immobilier, and has been Chairman and CEO of that company since 2001.

1.1.5. Meetings

The Board of Directors holds four ordinary meetings a year, in February/March, June, September and December. At the February/March meeting, the Board closes the accounts for the previous financial year. At the June meeting, it reviews the company's performance during the first half of the year and considers the strategic options for each line of business and for the Group as a whole. In September, the Board considers the half-year accounts, and in December it reviews the company's business plans, estimated sales and profits for the past year and the outlook for the year to come. Since 2003, the Board has approved and published quarterly financial statements. Other Board meetings are held as the Group's business requires.

The agenda for Board meetings is in three parts: business activities, accounts and legal matters. A detailed review of each subject is provided to each director. Committee meetings are held prior to Board meetings.

Since February 2003, the auditors have been systematically called to all meetings at which the Board considers annual or interim accounts.

Persons who are not Board members, whether Bouygues group employees or not, may be invited to attend Board meetings.

1.1.6. Rules of procedure

The Board adopted a set of rules of procedure at its meeting on 10 September 2002. The rules of procedure were amended in June 2003 to take account of the recommendations of the Bouton report, in March 2005 in order to transpose the provisions of the AMF's general regulations concerning dealings by corporate officers in the company's securities, and in September 2005 in order to authorise participation in Board meetings by means of telecommunication. In February 2006, the Board of Directors again amended its rules of procedure to take account of the entry into force of new provisions, and particularly by introducing a definition of criteria for the independence of directors in accordance with the European Recommendation of 15 February 2005 and the AFEP-MEDEF report of October 2003.

The main features of the rules of procedure are as follows:

the rules of procedure set out the annual programme of work to be carried out by the Board. They provide that any significant disposals or acquisitions planned by the Group must be submitted to the Board in advance for approval.

The rules are also designed to ensure that the Board receives the information it needs in order to function properly. Every year the Board devotes an item on the agenda of one of its meetings to an assessment of its own workings.

It is recommended that each director own at least 500 Bouygues shares in registered form. Directors undertake not to vote on matters where they have a conflict of interest. They must disclose any transactions that they, or persons closely associated with them, may enter into in relation to the company's securities within five days of the conclusion of such transactions, in accordance with the regulations in force.

Annexes to the rules of procedure define the remit and operating rules of the four committees set up since 1995. These rules restrict membership of the committees to directors independent of the company's management. Corporate officers or salaried directors of the company cannot therefore sit on the committees. The committees are chaired by independent directors.

Particular attention has been paid to the Accounts Committee. In particular, the rules provide that the Accounts Committee should supervise the appointment of the auditors (the Committee implemented this provision in 2004 because the terms of office of a statutory auditor and an alternate auditor were due to expire) and ensure that they are independent, for example by monitoring their fees. The rules of procedure also specify how the Remuneration Committee should monitor the performance-related element of corporate officers' pay. It does not allow senior executives to be awarded stock options at a discount.

The rules of procedure provide that at least two directors must be independent within the meaning of the European Recommendation and the AFEP-MEDEF report.

1.2. Review of the business of the Board of Directors in 2005

The Board met five times in 2005. The attendance rate of the directors was 88%.

In addition to the decisions and votes included on the agenda under the prevailing laws and regulations, the Board considered the proposed privatisation of three motorway concession companies, and the proposed merger between TPS and CanalSatellite.

On 1 March 2005 it examined the impact of the transition to IFRS on 31 December 2004, and decided to create the Francis Bouygues Foundation, intended to provide study grants to deserving young people.

On 28 April 2005, it agreed the text of the replies to be given to written questions formulated by shareholders.

On 21 June 2005, it decided to launch a €250 million capital increase, reserved for employees, through the creation of a new leveraged mutual fund; it authorised the company to compensate for the dilutive effect of this increase in the share capital by purchasing shares with a view to their cancellation; it decided to create a Group pension fund; it approved the planned acquisition by Bouygues of the BNP Paribas Group's stake in Bouygues Telecom; it examined the transactions resulting in the completion of the sale of Saur to PAI partners; and it analysed and agreed the principle and terms of bond issues. One such issue was completed on 21 July 2005 in a global amount of €750 million. The Board also authorised a stock option plan for the benefit of directors and employees of the Group, and cancelled 1,048,873 shares in the company that had been bought back.

On 13 September 2005, the Board approved the decision taken by the Group not to make a bid in the context of the privatisation of the three motorway concession companies in France. It examined the accounting treatment of the agreement with BNP Paribas relating to the potential purchase of its stake in Bouygues Telecom.

On 13 December 2005, the Board discussed the proposed merger between TPS and CanalSatellite, and cancelled 7,312,776 shares that had been bought back. It also debated its own organisation and operating methods.

More generally, the Board regularly reviewed developments in each of the Group's lines of business. The strategic options and business plans of each line of business and of the parent company were presented to the Board for its approval. Every ordinary meeting of the Board commenced with a detailed presentation of the business and key figures of the company and its main subsidiaries.

After hearing the reports from the committees concerned, the Board also drew up its management report, approved the annual and quarterly accounts, drew up the special report on stock options, reviewed the financial statements, approved the prospectus for the share buyback programme and set the amount of the dividend.

1.3. Work of the committees established by the Board

The Board has established four committees whose remit and operating rules are defined in the Board's rules of procedure.

1.3.1. Accounts Committee

The Accounts Committee, created in 1995, reviews the quarterly and annual accounts before they are presented to the Board, ensuring that the accounting methods used to draw up the accounts are both relevant and consistent, and verifying the internal reporting procedures used for the collection and monitoring of the information on which the accounts are based. It also supervises the appointment of the auditors.

The members of the Accounts Committee are Michel Rouger (Chairman), Patricia Barbizet and Georges Chodron de Courcel. Michel Rouger and Georges Chodron de Courcel are independent directors. Charles de Croisset, an independent director, was appointed to the Committee in February 2006.

The Committee met four times in 2005 and the attendance rate of its members was 66.66%. The Committee verified the comparability of the accounts after changes in the scope of consolidation of the Group, and ensured that the extent of the audit was sufficient. It analysed the provisions included in the accounts according to subject matter and scope, and reviewed the quarterly accounts. It also examined the measures taken by the Group with a view to the adoption of IAS/IFRS, and approved the provision of information regarding the transition from the old to the new accounting principles. It checked the valuations of intangible fixed assets, goodwill, provisions for risks and charges and deferred tax assets.

The Accounts Committee also examined the following matters:

- control structure of Saur;
- brand awareness surveys carried out for Eurosport;
- treatment of the UMTS fee;
- Bouygues Construction sites at risk;
- sales of hotels and guarantees of income given to customers at Bouygues Immobilier;
- activation of deferred taxes;
- analysis of movements in TF1's programme stock;
- universal service and customer loyalty provisions at Bouygues Telecom;
- Portsmouth contract entered into by Colas;
- BFR goodwill and development;
- operations for the cancellation of shares;
- treatment of the *Bouygues Confiance 3* plan;
- fiscal deficits of TF1 Expansion;
- revaluation of 2006 World Cup rights; and
- procedures implemented at Bouygues Construction and TF1.

In the context of its business, the Accounts Committee interviewed the Group's Finance Director, Accounts and Audit Director and auditors, without senior executives present.

1.3.2. Remuneration Committee

The Remuneration Committee was created in 1996 with the task of putting proposals to the Board concerning the remuneration and other benefits of corporate officers. Its members are Pierre Barberis (Chairman) and Patricia Barbizet. Pierre Barberis is an independent director.

The Committee met once in 2005 and the attendance rate of its members was 100%. It considered the remuneration of corporate officers and the stock options awarded to them. It also examined and put to the Board reports on the remuneration of corporate officers and the award and exercise of stock options during the year.

1.3.3. Selection Committee

The Selection Committee was created in July 1997. Its task is to examine applications for directorships and proposals to create Board committees. It issues an opinion in the event of the appointment, renewal or dismissal of a Chief Executive Officer or Deputy Chief Executive Officer. The Committee comprises Jean Peyrelevade (Chairman) and François-Henri Pinault, who replaced Serge Weinberg on 13 December 2005. Jean Peyrelevade is an independent director.

The Selection Committee met twice in 2005. In February, it issued an opinion on the renewal of the appointment of Michel Rouger as a director. This opinion was positive. It also proposed that with effect from the Annual Meeting on 28 April 2005, new or renewed terms of office of all directors should be reduced from six to three years. In December, it met to give an opinion on the replacement of Artémis and Financière Pinault. The attendance rate of this Committee was 100% in 2005.

1.3.4. Ethics and Sponsorship Committee

The Ethics and Sponsorship Committee, created in March 2001, monitors compliance with the Group's values and rules of good conduct and issues opinions on corporate sponsorship projects. Its members are Lucien Douroux (Chairman), François-Henri Pinault and Michel Derbesse. Lucien Douroux is an independent director.

The Committee met three times in 2005 and the attendance rate of its members was 88.88%. After reviewing numerous projects proposed to Bouygues, the Committee gave a favourable opinion on the commencement or continuation of 26 sponsorship initiatives of a humanitarian, medical, social and cultural nature. The Committee also examined the new provisions published by the National Computers and Civil Liberties Commission containing a framework for whistleblowing procedures, before formulating an opinion for the Board of Directors. After approval by the Board of Directors, the terms and conditions of such a procedure will be submitted to staff representative bodies.

1.4. Internal control procedures

Bouygues and its subsidiaries are acutely aware of the importance of internal control, a process which helps to give reasonable assurance as to achievement of the Group's principal objectives.

Internal control bodies and procedures thus play a part in identifying, preventing and managing the main risk factors that could hinder the Group's achievement of its objectives.

While the general purpose of internal control is to help the Group achieve its operational objectives, it is also intended to ensure that the manner in which the Group is managed and conducts its business, and the behaviour of staff, comply with the regulations and with the rules and guidelines that Bouygues wishes Group companies to adhere to.

It is of course in accounting and financial matters that internal controls are most widely applied, given the potential importance of the quality and reliability of the Group's accounting and financial information.

Like any control system, however, the system set up by Bouygues cannot provide a cast iron guarantee as to its capacity to achieve its objectives.

1.4.1. General internal control environment

The parent company and its senior executives strive to create an environment that promotes awareness among Group employees of the need for internal control.

- Where ethics and integrity are concerned, the Chairman and CEO regularly issues strong messages to the Group's senior executives about the need for their conduct to be irreproachable in every respect, which means both complying with prevailing laws and regulations and respecting the Group's own values.

  He does so firstly at Group management meetings, which are attended once a quarter by the Group's top managers, but also within the framework of the Bouygues Management Institute, which organises a monthly seminar on developing Bouygues' values, designed to raise awareness among top management of the necessity to comply in all circumstances with laws and regulations and with the ethical rules that form the basis of the Group's mindset. The Chairman and CEO of Bouygues and other members of the company's general management always speak at these seminars.

  From time to time the Group's Corporate Secretary organises executive seminars designed more specifically to remind participants of the regulations that apply in various areas and how they tie in with legal problems encountered by the company's operating divisions.

  The Board of Directors of Bouygues has created an Ethics and Sponsorship Committee whose tasks include:

  - helping to define the rules of conduct and guidelines for action on which executives and other employees must base their behaviour,
  - proposing or advising on initiatives to promote exemplary professional conduct in this area,
  - ensuring compliance with the values and rules of conduct thus defined.

The Ethics and Sponsorship Committee comprises three directors and is chaired by an independent director.

In carrying out its work, the Committee may hear the Chairman of the Board or any person designated by him.

- The maintenance of a high level of competence among Bouygues and Group employees is also one of the parent company's aims, since it helps to create an environment favourable to internal control. Bouygues therefore takes a proactive approach to staff training while seeking to secure the loyalty of its senior employees. This will preserve a level of experience and knowledge of the company which will enable the Group's culture and values to be passed on.

  By running the Bouygues Management Institute, and through the seminars it organises, the parent company makes a significant contribution to training the Group's senior managers, while informing them of the company's requirements and expectations in terms both of competence and mindset.

- More generally, the philosophy that the parent company wishes its main subsidiaries to share is that of a group whose executive managers are close to their senior employees and whose management practices are transparent, prudent and rigorous.

  These principles are formulated at Executive Committee level and passed on to subsidiaries at all levels (Board of Directors, general management, management committee). Major decisions taken at the highest level, concerning UMTS or TV football rights, for example, are consistently inspired by this principle of rigorous and prudent management, and serve as a benchmark for the day-to-day management decisions taken by each line of business.

- Lastly, the parent company plays a leading role in human resource management policy at Group level.

  Thus, the Senior Vice-President, Group Human Resources and Administration, chairs and coordinates the Group Human Resources Committee, an essential link for the transmission of the Group's values.

The Group's human resources charter also contributes to the spreading of the Group's culture by reminding everyone that the company's development is primarily dependent on people.

For their part, the operating divisions have been engaged for a number of years in the important task of raising awareness among their employees of the risks inherent in their businesses, so that these can be more successfully controlled.

1.4.2. Objectives / activities and control procedures - risks

Objectives / Management cycle

The introduction of internal control procedures is linked to the definition of objectives that are compatible with the risks to which the Group is exposed.

- The Group's general objectives are defined through the management cycle, a process which enables the Group's general management to participate upstream in defining the strategies of each operating division, to approve their business plans prepared in the context of that strategic framework, and then to monitor the progressive achievement of the objectives during the course of the year.

  The principles of the management cycle are directly applicable in all Group entities, thus ensuring that the Group as a whole has a solid and coherent structure.

  This iterative process enables the Group's general management at all times to ensure that the objectives are consistent with the strategies, to monitor any discrepancies between the results and the objectives, and to anticipate the remedial measures to be taken at the level of the Group or of the operating division (financing requirements, redefinition of priorities, etc.).

  Another aim is to provide the Group's general management and the Bouygues Board of Directors with all the information necessary for them to take decisions.

  The principal members of the parent company's general management attend board meetings of the companies at the head of the Group's operating divisions, and it is those boards that decide the strategic options and business plans.

Strategic plan and business plan

Each operating division defines its own medium-term strategic plan (over a three-year period) taking into account the Group's general strategy and its own particular characteristics. The strategic plan is presented to the Group's general management by the general management of each operating division and in June to the Bouygues Board of Directors.

The resulting action plans form the basis of the three-year business plans, and these are presented to the Group's general management by the general management of each operating division and in December to the Bouygues Board of Directors.

Business plans are adjusted in March to take account of the accounts for the previous financial year and of any significant developments affecting the initial plan.

Annual plan

In the December business plan, the plan for the first year is the most detailed, representing a commitment by each operating division to the Group's general management. This is known as the annual plan.

A first review of progress (or an update) of the annual plan for the current year takes place in June, when the strategic plan is presented to the Group's general management.

A second update takes place in November, and is incorporated into the new business plan.

- Alongside the Group's general objectives, the parent company also sets more specific objectives relating, in particular, to the reliability of financial information, essential for a listed company, or to compliance with laws and regulations, which is essential to the Group's success.

Activities and control procedures

Internal control implies the identification and analysis of factors that may hinder the achievement of objectives (concept of risks) and in some cases the introduction of the means to control such risks. It is characterised by the existence of bodies or structures exercising internal control, and the implementation of control standards and procedures.

Major risks of a general nature

• The various committees (major risks - QSE - sustainable development)

In 2002, as part of its policy to control major risks, the parent company set up a major risk management committee whose task was to improve major risk management procedures within the various operating divisions.

This committee, which existed until 2005, was wholly successful in carrying out its task since it raised the awareness of all the operating divisions, which set up procedures and/or structures for the management of major risks (risk analysis, crisis management, training, etc.).

The principal issues examined by the operating divisions, depending on their activities, relate in general to:

- technological risks,
- environmental risks,
- health risks and
- protection of strategic assets.

Since 2005, Bouygues has continued to have an organisational role as regards QSE and sustainable development, in relation to which two committees comprising senior executives from the operating divisions meet regularly under the chairmanship of Olivier Bouygues to discus matters considered essential by the parent company.

• Guidelines for major risk management

The parent company has laid down guidelines for major risk management at Group level with which subsidiaries are required to comply, while remaining entirely responsible for management of their own risks, with general management intervening only in exceptional cases.

These guidelines encourage subsidiaries to introduce a risk control process that includes the following stages:

- identification and classification,
- assessment, selection and prioritisation,
- treatment, control, monitoring and supervision.

The guidelines also encourage subsidiaries to establish a crisis management system which includes a definition of alert thresholds and the organisation of a duty roster.

In addition, the parent company organises crisis management training sessions for senior executives.

• Legal aspects

The Group's Corporate Secretary monitors matters with significant legal implications for the Group.

In this context, the Corporate Secretary and the parent company's lawyers may occasionally become involved alongside the operating divisions in handling major disputes or matters having an impact at Group level.

Bouygues' Corporate Secretary chairs the Group's legal committee which is made up of the legal directors of the operating divisions. He thus coordinates and supervises all the Group's legal affairs.

At parent company level, in addition to the powers of representation vested in corporate officers (Chairman & CEO, Deputy CEOs), there is a centralised and formalised system of delegated powers (in writing).

Thus, certain powers are delegated directly by the Chairman & CEO to certain persons in clearly identified areas (for example, Alain Pouyat, Executive Vice-President, Information Systems and New Technologies, has extensive powers to represent the company in his area of activity).

In addition, Olivier Poupart-Lafarge, Deputy CEO, delegates fairly wide powers to his most senior colleagues in support divisions to enable them to carry out their respective functions (for example, Jean-Claude Tostivin, Senior Vice-President, Group Human Resources and Administration; Lionel Verdouck, Senior Vice-President, Cash Management and Finance).

He also delegates special powers to certain employees to carry out tasks of a limited nature.

• Insurance

The Group's risks and insurance division provides assistance, advice and support to the Group's subsidiaries. It also has a role in internal control procedures as applied to risk management.

Having a comprehensive overview of the policy of the various operating divisions as regards insurance, the Group's central risk and insurance department takes out Group insurance to complement the insurance taken out at operating division level.

It ensures that subsidiaries are insured with first-class companies and that the terms of their policies (coverage, deductibles, premiums) are consistent with the risk to which they are exposed.

In 2005, the central risk and insurance department also assumed direct responsibility for the insurance of Finagestion.

Risks specific to the operating divisions

Each operating division is responsible for examining the specific risks to which it is exposed and for adopting the appropriate procedures according to the nature of the risks identified.

These specific risks may differ considerably depending on the operating division concerned. For example, they may relate to regulation (TF1, Bouygues Telecom), public health (Bouygues Telecom), technology (TF1, Bouygues Telecom), competition (Bouygues Telecom), the environment (Colas), or the economic or political situation of a particular country.

The operating divisions have also set up very formalised commitment procedures intended to ensure better control of commercial commitment.

Thus, depending on the level of financial commitments, the amount of works or the technical challenges involved, the various entities of Bouygues Construction are obliged to make an application to request the agreement of the company's general management.

This is also the case at Colas where, despite a very strong culture of decentralisation, arrangements exist for the control of commitments both in terms of commercial commitments (submission of projects to "contract committees") and in terms of external growth transactions, which must be presented and secure the prior agreement of the general management of Colas and sometimes even of its Board of Directors.

At TF1, particular attention is given to the purchasing process, which can result in very substantial commitments (for example in the case of contracts for the purchase of rights). These contracts are subject to a very precise validation procedure involving various departments, and sometimes general management, according to the amount of the commitments and the nature of the contract concerned.

At Bouygues Telecom, commercial offers involve very substantial stakes and this is the reason why they are examined by an offers committee in which the general management of the company is involved. Since 2005 a so-called "offers balance sheet" has been created for the same reasons in order to ensure that commercial offers made are followed up and that the results are monitored in the light of initial forecasts.

In 2003, the Bouygues Board of Directors commissioned Philippe Montagner, a member of Bouygues' general management, to carry out a global assessment of the major risks to which the Group is exposed. Every year, he lists and analyses the procedures and measures adopted, and produces a report for the Bouygues Board of Directors and general management, which analyses the major risks faced by the Group and is used as the basis for the preparation of an annual report mapping and prioritising the main risks.

Finally, the Group's general management may also commission a specific audit of a given risk, either by an outside consultant or internally by the audit department of the operating division concerned.

Financial and accounting risks

• Group consolidation department

A Group consolidation/accounting department exists within the parent company, and reports to Olivier Poupart-Lafarge, Deputy CEO. Its principal task is to define and establish consistent rules and methods of consolidation for the Group and to assist the operating divisions in their consolidated management. It also prepares the parent company accounts.

Consolidation is carried out quarterly on a step-by-step basis. Each operating division consolidates at its own level using identical methods defined by the Group consolidation department, which then carries out the overall consolidation of the Group's accounts.

A specific software product developed by a specialist company is used to consolidate the accounts at the various levels, ensuring that principles and rules validated by the auditors are consistently applied. A very large number of listed companies use this software. It is implemented by each of the operating divisions in the context of their step-by-step approach to consolidation, and ensures rigorous control over preparation of the accounts, which are thus subject to standard procedures.

In addition to the computerised accounting system, a number of years ago the Group consolidation department produced a Group consolidation handbook containing the rules and procedures which constitute the essential principles applicable to consolidation throughout the Group. The handbook is an important reference tool for the preparation of the consolidated accounts. In the context of the transition to IAS/IFRS, the Group consolidation department has created a dedicated intranet site setting out the various principles and options that apply within the Group.

As part of its task of organising and coordinating consolidation of the accounts, the Group consolidation department also regularly provides the operating divisions with information about the rules and methods that apply (by organising seminars, distributing circulars, etc.), and thus helps to maintain the consistency of the consolidated accounts preparation system. This has particularly been the case in relation to the introduction of IAS/IFRS.

The company uses the Adamau accounting software for the management of obligations and control of expenditure, together with the Ulysse software for the monitoring of expenses, which enables formalised and secure procedures to be applied when expenses are incurred.

• Accounts Committee

The Board of Directors of Bouygues set up the Accounts Committee in 1995. Its task is, in particular, to ensure that the accounting methods adopted for the preparation of the accounts are both relevant and consistent, and to verify the internal procedures for reporting and monitoring the information on which the accounts are based.

In addition to carrying out general and regular checks, the committee selects specific subjects for detailed examination, such as the consequences of disposals or acquisitions. It checks the accounting treatment of the risks incurred by the various companies of the Group, particularly country risks and, in the case of Bouygues Construction, the risks involved in the completion of certain projects. The committee pays particular attention to changes in accounting methods, and therefore regularly examines decisions and measures taken to implement the new IAS/IFRS.

Chaired by an independent director, the committee meets at regular intervals (it met four times in 2005). It interviews the auditors without representatives of the company being present, and can issue any reports and opinions for the Board of Directors. In 2005, the auditors provided the Accounts Committee with a report summarising their work, dealing particularly with internal control, and commented on this report to the committee.

The same systems are in place within the Boards of the major subsidiaries, all of which have created an accounts committee.

• Management control

The global organisation of the management control system is such that no Group company can avoid the control process. All companies not controlled by the operating divisions are controlled by the parent company.

Using procedures of various kinds, the parent company also exercises management control at its own and at Group level.

The rules governing relations between the parent company and the operating divisions were summarised in a document produced by the Group strategies and development department in 2001. This document was updated in 2005, and serves as a reference for all the operating divisions.

Parent company management control

The Group's strategies and development department prepares an annual expenditure budget in close cooperation with other departments of the parent company.

Structural expenses are monitored on a monthly basis so that any discrepancies in relation to the budget can be swiftly identified and analysed.

This analysis helps to identify discrepancies which could cast doubt on the annual forecast.

Twice a year, the Group strategies and development department updates the expenditure budget for the current year in liaison with the departments concerned.

Group reporting

The parent company systematically controls its subsidiaries' financial management by means of the annual plan (including updates) and monthly sets of indicators. The indicators are sent directly to the Group's general management and centralised by the Group's strategies and development department, which plays a pivotal role in the Group's management control.

The sets of monthly indicators provided to the parent company are the same as those prepared by each operating division for its own general management.

Every quarter, interim accounts are produced along with the monthly indicators.

Thus, the management cycle and the control and reporting procedures provide a regular flow of information and ensure a constant dialogue with the operating divisions. As a result, plans can be adjusted and the parent company is always in a position to control the management of its subsidiaries and intervene in advance of strategic decisions.

• Cash management and finance

The parent company's cash management and finance department defines and monitors the application of sound financial management principles at Group level. Its role is both to organise and coordinate.

The operating principles mainly concern the Bouygues Relais and Uniservice cash management centres, which are managed by the parent company, and the operating divisions' own cash management centres. They also apply to the financing of subsidiaries.

The fundamental rules of prudent management particularly relate to internal security (two signatures for payments, etc.), external security (secure cheques, payment by promissory note, etc.), liquidity (confirmed lines of credit, investment of surplus cash, etc.), the quality of counterparties, the terms of loan agreements (absence of covenants, etc.) and the assessment and hedging, where necessary, of exchange rate risks.

• Internal audit

Audit is a means of analysis, control and information which plays a vital role in risk analysis and management. All the operating divisions are aware of the importance of internal audit, to the extent that they have decided to set up their own permanent internal audit structures.

The decentralisation of audit departments continued in 2005, and every operating division now has a structured internal audit department carrying out tasks in a very broad range of areas including management control and finance.

Audits are carried out according to a rigorous methodology. After each audit a report is prepared containing an analysis and recommendations which are then followed up.

There is also a central Group audit department at parent company level, which mainly carries out audits of the operating divisions' IT systems at the request of the Group's general management or that of the operating division itself.

• Whistleblowing procedure

In 2003, the Bouygues group set up a whistleblowing procedure, which is intended to enable the Group's employees to report ethical irregularities.

The procedure is in the process of being adjusted to bring it into line with recent recommendations of the National Computers and Civil Liberties Commission. In accordance with the Recommendation of the European Commission dated 15 February 2005 relating to the role of directors, the procedure will operate under the control of the Accounts Committee but also of the Ethics Committee of the Board of Directors.

1.4.3. Information and communication

The production and dissemination of information, both inside and outside the Group, does much to enhance internal control.

Existing information systems (cf. Section 1.4.2) provide a means of managing and controlling the business, and communication helps both to make staff more aware of the importance of control and to provide those outside the Group with reliable and relevant information in compliance with legal requirements.

Internal communication

The Group's internal communication department plays an active part in circulating information to the Group's employees, which strengthens the Group's identity and helps bind Bouygues employees together.

Reporting directly to the Chairman and CEO, it is responsible for the bi-monthly newsletter

Challenger Express, intended for senior executives and heads of department, and for the magazine *Le Minorange,* published twice yearly, which provide a real link between all the Group's employees.

It also supervises e.by and ebysa, the Bouygues group and parent company intranet portals, which provide online access to large amounts of information and are used by Group and company employees as a real working tool.

The Group's internal communication department also publishes *Bouygues in Brief,* a brochure containing financial information which is circulated externally as well as to managerial, technical and administrative staff.

Group management meetings, which are attended four times a year by the Group's principal managers and directors, also play an essential role in internal communication, and help transmit the Group's culture and values. For general management at Group level, they provide an important channel for transmitting key information and messages to the Group's top executives.

External communication

The Group's external communication department reports directly to the Group's Chairman and CEO, and works in close cooperation with the operating divisions for their mutual benefit.

Its main tasks are:

- to manage the Group's image (press relations, public relations, corporate sponsorship, etc.);
- to pass on information from external sources to the Group's general management and executives.

Financial information

The Group's cash management and finance department is responsible for providing financial information (relations with investors and financial analysts) and is constantly in contact with shareholders and analysts while providing the market with the information it needs.

Great care is taken to prepare the Annual Report, which the Group considers a major channel of communication.

1.4.4 Steering

Internal control systems must themselves be controlled by means of regular assessments.

Bouygues' Accounts Committee is the main body responsible for exercising such supervision.

Under the Board's rules of procedure, one of the tasks of the Accounts Committee is to *"verify internal procedures for gathering and monitoring the information used to prepare the accounts".*

The Board has also asked Philippe Montagner, a member of general management, to conduct a comprehensive review of the major risks to which the Group is exposed, including an assessment of the extent to which the risks associated with the Group's various entities are taken into account.

Finally, the auditors also play an important role in this regard, through their remarks or questions in the context of their conventional audits and the recommendations they may make to the Accounts Committee.

The Chairman of the Board of Directors

2. SUPERVISION BY THE AUDITORS

2.1. Statutory auditors

Mazars & Guérard (Mazars group), of 39, rue de Wattignies, 75012 Paris, France, represented by Michel Rosse, appointed as statutory auditors for the first time at the Annual Meeting on 10 June 1998, and whose appointment was renewed for a further six-year term by the Annual Meeting on 22 April 2004.

Mazars & Guérard are members of the Paris regional association of auditors.

Ernst & Young Audit, of Faubourg de l'Arche, 11 allée de l'Arche, 92400 Courbevoie, France, represented by Jean-Claude Lomberget, appointed as statutory auditors for the first time at the Annual Meeting on 24 April 2003, for a six-year term.

Ernst & Young Audit are members of the Versailles regional association of auditors.

2.2. Alternate auditors

Thierry Colin (Mazars group), appointed as alternate auditor for the first time at the Annual Meeting on 25 May 2000, and whose appointment was renewed for a further six-year term by the Annual Meeting on 22 April 2004.

Christian Mouillon (Ernst & Young group), appointed as alternate auditor for the first time at the Annual Meeting on 24 April 2003, for the same term of office as Ernst & Young Audit.

2.3. Fees of the statutory auditors and of the members of their networks paid by the Group

The fees paid to each of the statutory auditors and to the members of their network by Bouygues and all fully consolidated Group companies are shown in note 23 to the consolidated financial statements (page 205 of this document).

REMUNERATION OF CORPORATE OFFICERS - STOCK OPTIONS

1. REMUNERATION OF CORPORATE OFFICERS

1.1. Report on remuneration of corporate officers - Stock options

	Position and length of service within the Group	Remuneration[1] + Directors' fees[5]	Amounts in respect of the financial year 2004[2] in euros		Amounts in respect of the financial year 2005[2] in euros		Criteria for variable remuneration[3]	Benefits in kind[4] in euros		Allocation of stock options in number of options	
			due	paid	due	paid		in 2004	in 2005	in 2004	in 2005
M. Bouygues[1]	Chairman & CEO 32 years	Fixed	920,000 0%	920,000	920,000 0%	920,000	- difference between the Bouygues share price and changes in the CAC 40 index (50%) - change in Bouygues group share of net consolidated profit (50%)				
		Variable	1,380,000 0%	1,380,000	1,380,000 0%	1,380,000					
		% variable / fixed	150%		150%						
		Bouygues directors' fees	48,784	48,784	48,784	48,784					
		Subsidiaries directors' fees	25,416	25,416	26,666	26,666					
		TOTAL	**2,374,200**	**2,374,200**	**2,375,450**	**2,375,450**		135,236 +8.9%	50,236 -63%	200,000	0
O. Poupart-Lafarge	Deputy CEO 32 years	Fixed	920,000 0%	920,000	920,000 0%	920,000	- difference between the Bouygues share price and changes in the CAC 40 index (27%) - change in Bouygues group share of net consolidated profit (40%) - several qualitative criteria (33%)				
		Variable	1,242,000 0%	1,242,000	1,380,000 +11%	1,242,000					
		% variable / fixed	135%		150%						
		Bouygues directors' fees	24,392	24,392	24,392	24,392					
		Subsidiaries directors' fees	53,340	53,340	55,465	55,465					
		TOTAL	**2,239,732**	**2,239,732**	**2,379,857**	**2,241,857**		4,140 0%	4,176 +0.87%	100,000	100,000
O. Bouygues[1]	Deputy CEO 32 years	Fixed	920,000 0%	920,000	920,000 0%	920,000	- difference between the Bouygues share price and changes in the CAC 40 index (18%) - change in Bouygues group share of net consolidated profit (41%) - several qualitative criteria (41%)				
		Variable	1,012,000 +7.9%	937,625	1,012,000 0%	1,012,000					
		% variable / fixed	110%		110%						
		Bouygues directors' fees	24,392	24,392	24,392	24,392					
		Subsidiaries directors' fees	32,562	32,562	46,277	46,277					
		TOTAL	**1,988,954**	**1,914,579**	**2,002,669**	**2,002,669**		82,584 +1.4%	10,584 -87%	100,000	100,000
Sub-total of directors' fees 2005: Chairman & CEO + Deputy CEOs		Bouygues directors' fees			97,568						
		Subsidiaries directors' fees			128,408						
		Total			225,976						

	Position and length of service within the Group	Remuneration[1] + Directors' fees[5]	Amounts in respect of the financial year 2004[2] in euros		Amounts in respect of the financial year 2005[2] in euros		Criteria for variable remuneration[3]	Benefits in kind[4] in euros		Allocation of stock options in number of options	
			due	paid	due	paid		in 2004	in 2005	in 2004	in 2005
A. Dupont	Director 41 years	Fixed	920,000 0%	920,000	920,000 0%	920,000	-difference between the Bouygues share price and changes in the CAC 40 index (7%) -change in Bouygues group share of net consolidated profit (16%) - change in Group share of net consolidated profit of Colas (50%) - several qualitative criteria (27%)				
		Variable	1,334,000 0%	1,334,000	1,380,000 +3.45%	1,334,000 0					
		% variable / fixed	145%		150%						
		Special bonus	-	-	690,000	-					
		Bouygues directors' fees	24,392	24,392	24,392	24,392					
		Subsidiaries directors' fees	15,000	15,000	15,000	15,000					
		TOTAL	**2,293,392**	**2,293,392**	**3,029,392**	**2,293,392**		4,100 0%	4,100 0%	100,000	100,000
P. Le Lay	Director 25 years	Fixed	920,000 0%	920,000	920,000 0%	920,000	- difference between the Bouygues share price and changes in the CAC 40 index (7%) - difference between the TF1 share price and changes in the CAC 40 index (20%) - change in Group share of net consolidated profit of TF1 (40%) - several qualitative criteria (33%)				
		Variable	1,132,667 -17.9%	1,380,000	1,216,000 +7.36%	1,132,667					
		% variable / fixed	123%		132%						
		Bouygues directors' fees	24,392	24,392	24,392	24,392					
		Subsidiaries directors' fees	107,050	107,050	108,300	108,300					
		TOTAL	**2,184,109**	**2,431,442**	**2,268,692**	**2,185,359**		4,140 0%	4,140 0%	0	0
Y. Gabriel	Director 31 years	Fixed	750,000 +2.8%	750,000	850,000 + 13.33%	850,000	- difference between the Bouygues share price and changes in the CAC 40 index (18%) - change in Group share of net consolidated profit of Bouygues Construction (40%) - several qualitative criteria (28%) -Bouygues profit (8%)				
		Variable	825,000 +11.6%	739,310	1,062,500 +28.80%	825,000					
		% variable / fixed	110%		125%						
		Bouygues directors' fees	24,392	24,392	24,392	24,392					
		TOTAL	**1,599,392**	**1,513,702**	**1,936,892**	**1,699,392**		8,748 +42.7%	8,748 0%	75,000	100,000
A. Pouyat	Director 36 years	Fixed	800,000 -5.4%	800,000	920,000 +15%	920,000	- difference between the Bouygues share price and changes in the CAC 40 index (18%) - change in Bouygues group share of net consolidated profit (18%) - several qualitative criteria (47%) - profit of Bouygues Telecom (17%)				
		Variable	644,000 +28.8%	500,000	782,000 +21.43%	644,000					
		% variable / fixed	80.5%		85%						
		Bouygues directors' fees	18,294	18,294	24,392	24,392					
		Subsidiaries directors' fees	27,446	27,446	28,696	28,696					
		TOTAL	**1,489,740**	**1,345,740**	**1,755,088**	**1,617,088**		4,404 +7.7%	4,404 0%	75,000	100,000

	Position within the Group	Remuneration(1) + Directors' fees(5)	Amounts in respect of the financial year 2004(2) in euros		Amounts in respect of the financial year 2005(2) in euros	
			due	paid	due	paid
P. Barberis	Director	Bouygues directors' fees	30,490	30,490	30,490	30,490
Artémis P. Barbizet (permanent rep.)	Director	Bouygues directors' fees	24,392 12,196	24,392 12,196	24,392 12,196	24,392 12,196
		Subsidiaries directors' fees	26,779	26,779	28,269	28,269
Mme F. Bouygues	Director	Bouygues directors' fees	24,392	24,392	24,392	24,392
G. Chodron de Courcel	Director	Bouygues directors' fees	30,490	30,490	30,490	30,490
C. de Croisset	Director	Bouygues directors' fees	24,392	24,392	24,392	24,392
M. Derbesse(7)	Director	Bouygues directors' fees	24,392	24,392	27,441	27,441
		Subsidiaries directors' fees	40,752	40,752	30,893	30,893
L. Douroux	Director	Bouygues directors' fees	30,490	30,490	30,490	30,490
JM. Gras(6)	Director	Bouygues directors' fees	-	-	28,294	18,294
T. Jourdaine(6)	Director	Bouygues directors' fees	24,392	24,392	24,392	24,392
J. Peyrelevade	Director	Bouygues directors' fees	30,490	30,490	30,490	30,490
Financière Pinault FH. Pinault (permanent rep.)	Director	Bouygues directors' fees	24,392 6,098	24,392 6,098	24,392 6,098	24,392 6,098
M. Rouger	Director	Bouygues directors' fees	30,490	30,490	30,490	30,490
Sub-total of directors' fees 2005(8): Directors		Bouygues directors' fees			488,693	
		Subsidiaries directors' fees			211,158	
		Total			699,851	
Overall total of directors' fees(8)		Bouygues directors' fees	561,016		586,261	
		Subsidiaries directors' fees	328,345		339,566	
		Total	889,361		925,827	

(1) The remuneration of corporate officers and salaried directors is determined with reference to remuneration paid in comparable companies. With the exception of the remuneration paid to Michel Derbesse described in paragraph (7) opposite, no remuneration and no directors' fees other than those mentioned above were paid to corporate officers by Group companies. Remuneration is paid by Bouygues with the exception of that of Alain Dupont who is paid directly by Colas and with the exception of that of Martin Bouygues and Olivier Bouygues, which is invoiced by SCDM to Bouygues in the context of the agreement governing relations between Bouygues and SCDM, which has been approved pursuant to the procedure for regulated agreements.
Part of the remuneration paid by Bouygues is invoiced back to the subsidiaries when the person concerned holds a management position there.

(2) The amount due = all the amounts allocated in respect of one financial year.
The amounts paid = all the amounts paid in the course of the financial year, on the understanding that the variable part allocated in respect of a financial year is actually paid in the course of the first quarter of the following financial year.
The percentages of the fixed and variable remuneration inserted below show variations by reference to the previous financial year, 2003 or 2004.

(3) The percentages show the proportion represented by these criteria in the calculation of the total variable remuneration. All the variable remuneration is subject to a ceiling equal to a percentage of the fixed salary. The percentage depends on the individual director.

(4) Benefits in kind consist of the provision of a company car, plus, in the case of Martin Bouygues and Olivier Bouygues, part-time provision of an assistant and of a driver/security guard for their personal needs.
The percentages show variations by reference to the previous financial year, 2003 or 2004.

(5) Bouygues directors' fees = the amounts include directors' fees paid in respect of participation on one or more of the Board's committees.
Subsidiaries directors' fees = directors fees paid by Group companies within the meaning of Article L. 233-16 of the Commercial Code.

(6) In accordance with the guide dated 27 January 2006 for preparation of the Annual Report, published by the Autorité des Marchés Financiers, salaries paid to the two directors representing employee shareholders who have a contract of employment with Bouygues or one of its subsidiaries are not included.

(7) The appointment of Michel Derbesse as Deputy CEO expired on 1 March 2005. In the first two months of the financial year 2005, Michel Derbesse received gross fixed remuneration of €153,333 in respect of this appointment, and received benefits in kind amounting to €15,093.
Michel Derbesse' contract of employment had been suspended during the period in which he held this company office.
Upon Michel Derbesse' retirement in 2005 (with 44 years' service with the Group), he was paid a lump sum and three months' notice in accordance with the collective agreement of the building industry, namely a total amount of €2,620,275.
These lump sum payments were approved pursuant to the regulated agreements procedure.
In order to ensure the completion of two current assignments, two support contracts of a duration of one year have been entered into between Michel Derbesse and two subsidiaries of the Group. Each of these contracts provides for the payment of a monthly sum of €10,000 during the contract term.

(8) Total including directors' fees paid to Carmelina Formond (€12,196) and Serge Weinberg, permanent representative of Tennessee (€30,490), directors who left the Board of Directors in 2005.

Additional retirement provision:

Corporate officers and salaried directors have the benefit of the additional retirement provision introduced for the members of the Group's general management committee, namely 0.92% of the reference salary per year of service under the regime. The Group is not obliged to set aside provisions in respect of this additional retirement provision, which takes the form of an insurance policy taken out with an insurer outside the Group. This additional retirement provision has been approved pursuant to the regulated agreements procedure.

Other commitments:

The company and its subsidiaries have not entered into any commitment and are not given any undertaking relating to the granting of a lump sum upon the retirement of the Chairman, Deputy CEOs or salaried directors. In respect of his or her contract of employment, a salaried director or a senior executive whose contract of employment has been suspended during the period in which he or she holds that appointment, has the benefit of the collective agreement applicable to the company, and may therefore receive the lump sum provided for in the said collective agreement in the event of dismissal or retirement.

2. REPORT ON THE ALLOCATION AND EXERCISE OF STOCK OPTIONS

Special report on options granted pursuant to Articles L. 225-177 to L. 225-186 of the Commercial Code

2.1. General information: distribution of options per plan and per category of beneficiaries

	1999	2000	2001	2002	2003	2004	2005
Date of AGM	27/06/1995	25/05/2000	25/05/2000	25/05/2000	25/05/2000	22/04/2004	28/04/2005
Date of Board meeting	30/03/1999 06/07/1999 04/11/1999	04/07/2000	27/03/2001 03/07/2001 18/09/2001	25/06/2002 17/12/2002	17/06/2003	15/03/2004	21/06/2005
Number of options allocated by the Board[1]:	342,350	1,239,800	4,023,600	3,598,100	2,996,000	3,180,750	3,102,500
- including corporate officers			690,000	1,150,000	625,000	800,000	500,000
- including ten employees of the company			1,180,000	320,000	412,000	422,000	406,000
Original exercise price before adjustment[1]	€219.77 to €297.95	€69.13	€33.75 to €39.40	€27.56 to €27.08	€22.80	€29.61	€31.34
Exercise price after adjustment[2]	€18.35 to €25.18	€58.74	€28.67 to €33.47	€23.41 to €23.00	€19.37	€25.15	€31.34
Start date for exercise	30/03/2004 06/07/2004 04/11/2004	04/07/2005	27/03/2005 03/07/2005 18/09/2005	25/06/2006 17/12/2006	17/06/2007	15/03/2008	21/06/2009
Expiry date	29/03/2006 05/07/2006 03/11/2006	03/07/2007	26/03/2008 02/07/2008 17/09/2008	24/06/2009 16/12/2009	16/06/2010	14/03/2011	20/06/2012
Number of options valid on 31/12/2005	**1,728,627**	**1,277,227**	**4,067,425**	**3,953,864**	**3,388,884**	**3,583,693**	**2,954,000**
							Total: 20,953,720

(1) The figures given for the year 1999 are those determined by the Board before the share split (see (2) below).
(2) As required by law, the exercise prices were adjusted upon the increases in the share capital that took place on 30 July 1999 and 10 April 2000. They take account of the ten-for-one share split that took place in 2000. They were also adjusted on 7 January 2005 due to an exceptional payout.

2.2 Options granted and exercised in 2005

The twentieth resolution of the Annual Meeting on 28 April 2005 authorised the Board of Directors on one or more occasions to grant options conferring a right to subscribe for new shares or to purchase existing shares. This authorisation was conferred for a period of five years and required the beneficiaries of these options to be employees and/or corporate officers of Bouygues or of companies or economic interest groupings directly or indirectly associated with Bouygues under the terms of Article L. 225-180 I of the Commercial Code.

2.2.1 Granting of options

General information

Options conferring a right to subscribe for new Bouygues shares were granted during 2005. On 21 June 2005, the Board of Directors allocated 3,102,500 options to 984 beneficiaries, corporate officers or employees of the company or of companies in the Bouygues group.

Date of allocation	Number of options allocated	Exercise price of the options (€)
21 June 2005	3,102,500	31.34

The exercise price of these options was fixed without discount, at the average of the opening prices on the 20 stock market days preceding the Board meeting at which the options were granted.

These options are valid for a period of seven years from the date of their allocation.

Options granted to corporate officers and salaried directors of Bouygues

Corporate officers, salaried directors	Company granting the options	Date of the allocation	Number of options	Exercise price of the options (€)
Olivier Bouygues	Bouygues	21 June 2005	100,000	31.34
Alain Dupont	Bouygues	21 June 2005	100,000	31.34
Yves Gabriel	Bouygues	21 June 2005	100,000	31.34
Olivier Poupart-Lafarge	Bouygues	21 June 2005	100,000	31.34
Alain Pouyat	Bouygues	21 June 2005	100,000	31.34
Total	**Bouygues**		**500,000**	

Options granted to the ten employees (other than corporate officers) of Bouygues who received the largest number of options during the financial year 2005

Names	Company granting the options	Date of the allocation	Number of options	Exercise price of the options (€)
Jacques Bernard	Bouygues	21 June 2005	14,000	31.34
François Bertière	Bouygues	21 June 2005	100,000	31.34
Michel Buxeraud	Bouygues	21 June 2005	9,000	31.34
Blandine Delafon	Bouygues	21 June 2005	11,000	31.34
Ariel Dubois de Montreynaud	Bouygues	21 June 2005	11,000	31.34
Jean-François Guillemin	Bouygues	21 June 2005	30,000	31.34
Philippe Montagner	Bouygues	21 June 2005	100,000	31.34
Jean-Claude Tostivin	Bouygues	21 June 2005	30,000	31.34
Lionel Verdouck	Bouygues	21 June 2005	30,000	31.34
Gilles Zancanaro	Bouygues	21 June 2005	12,000	31.34
Total	**Bouygues**		**347,000**	

During the financial year 2005 corporate officers and employees of Bouygues did not receive options granted by companies associated with Bouygues under the terms of Article L. 225-180 of the Commercial Code or by companies controlled by Bouygues within the meaning of Article L. 233-16 of the Commercial Code.

2.2.2 Options exercised by corporate officers and employees of Bouygues in 2005

General information

The following Bouygues options were exercised by corporate officers and salaried directors of the Group in 2005, as well as by all the Group's employees:

Plan	Exercise price of the options (€)	Number of options exercised in 2005
30/03/1999	18.35	1,610,981
06/07/1999	21.01	119,150
04/11/1999	25.18	157,002
27/03/2001	33.47	196,128
03/07/2001	32.81	88,447
18/09/2001	28.67	188,447
25/06/2002	23.41	11,985
17/06/2003	19.37	15,035
15/03/2004	25.15	4,415
21/06/2005	31.34	2,000
Total		**2,393,590**

Options exercised by corporate officers and salaried directors of Bouygues

Corporate officers	Company granting the options	Plan	Number of options exercised	Exercise price of the options (€)
Martin Bouygues	Bouygues	30/03/1999	269,533	18.35
Olivier Bouygues	Bouygues Bouygues	30/03/1999 27/03/2001	131,777 23,538	18.35 33.47
Olivier Poupart-Lafarge	Bouygues	30/03/1999	131,777	18.35
Michel Derbesse (corporate officer until 01/03/2005)	Bouygues	30/03/1999	191,681	18.35
Alain Dupont	Bouygues Colas	18/09/2001 21/03/2000	188,447 10,600	28.67 43.65
Patrick Le Lay	TF1	18/03/1998	200,000	10.02
Total	**Bouygues** **Colas** **TF1**		**936,753** **10,600** **200,000**	

Options exercised during the financial year 2005 by the ten employees of Bouygues subscribing for the highest number of shares

Corporate officers	Company granting the options	Plan	Number of options exercised	Exercise price of the options (€)
Jacques Bernard	Bouygues	30/03/1999	14,394	18.35
Gérard Bucourt	Bouygues	30/03/1999	11,993	18.35
Michel Buxeraud	Bouygues	30/03/1999	14,394	18.35
Blandine Delafon	Bouygues	30/03/1999	11,993	18.35
Jean-François Guillemin	Bouygues	30/03/1999	21,573	18.35
Gérard Lemarié	Bouygues	30/03/1999	10,793	18.35
Philippe Montagner	Bouygues	30/03/1999	131,777	18.35
Jean-Claude Tostivin	Bouygues	30/03/1999	21,573	18.35
Lionel Verdouck	Bouygues	30/03/1999	21,573	18.35
Gilles Zancanaro	Bouygues	30/03/1999	11,993	18.35
Total	**Bouygues**		**272,056**	

During the financial year 2005, the company registered the exercise of 1,184,781 Bouygues options by employees of the company or its subsidiaries, other than corporate officers, salaried directors and the ten persons mentioned above.

The Board of Directors

1. CHANGES IN SHARE OWNERSHIP OVER THE LAST THREE YEARS

Shareholder	Situation at 31 December 2005				Situation at 31 December 2004				Situation at 31 December 2003			
	Number of shares	% of capital	Number of voting rights	% of voting rights	Number of shares	% of capital	Number of voting rights	% of voting rights	Number of shares	% of capital	Number of voting rights	% of voting rights
SCDM(1)	61,262,080	18.19	107,372,414	25.34	56,849,198	17.08	103,411,302	24.72	47,084,100	14.13	93,937,290	22.05
Artémis group(2)	26,266,778	7.80	29,573,296	6.98	26,306,518	7.91	29,613,036	7.08	27,006,518	8.11	31,013,036	7.28
Total shareholders' agreement	**87,528,858**	**25.99**	**136,945,710**	**32.32**	**83,155,716**	**24.99**	**133,024,338**	**31.80**	**74,090,618**	**22.24**	**124,950,326**	**29.33**
Bouygues employees	44,774,405	13.30	74,311,729	17.54	38,357,093	11.53	66,025,941	15.78	36,536,113	10.97	68,628,395	16.11
Other French shareholders	84,323,571	25.04	92,443,742	21.82	121,235,815	36.43	129,258,321	30.90	130,537,608	39.17	140,428,930	32.96
Capital Group International	26,969,688	8.01	26,969,688	6.36								
Other foreign shareholders	93,061,374	27.63	93,061,374	21.96	90,000,000	27.05	90,000,000	21.52	91,963,191	27.60	92,022,516	21.60
Bouygues	105,000(3)	0.03	0	0	10,000	ns	0	0	72,439	0.02	0	0
Total	**336,762,896**	**100**	**423,732,243**	**100**	**332,758,624**	**100**	**418,308,600**	**100**	**333,199,969**	**100**	**426,030,167**	**100**

((1) SCDM is a company controlled by Martin Bouygues and Olivier Bouygues. This figure includes shares owned directly by Martin Bouygues and Olivier Bouygues.
(2) The Artémis group (F. Pinault) includes Artémis, Tennessee, Simetra Obligations and Financière Pinault, companies which directly own Bouygues shares.
(3) Treasury shares held under a liquidity agreement.

Apart from Capital Group International, the company is not aware of any shareholder, other than those shown in the table above, holding more than 5% of the capital or voting rights.

Significant changes in share ownership

The main changes in share ownership since 31 December 2003 are as follows:

- increase in the interest held by employees, from 11% to 13.3% of the capital and from 16.1% to 17.5% of the voting rights;
- increase in the interest held by SCDM, from 14.1% to 18.2% of the capital and from 22% to 25.3% of the voting rights;
- reduction in the interest held by the Artémis group, from 8.1% to 7.8% of the capital and from 7.3% to 7% of the voting rights;
- increase in the interests held by foreign shareholders, from 27.6% to 35.6% of the capital and from 21.6% to 28.3% of the voting rights.

Capital Group International, Inc. (CGII), an American investment firm which is the parent company of a group of fund management companies, disclosed on 8 August 2005 that it had passed above the 5% threshold of the capital and voting rights of Bouygues.

2. SHAREHOLDERS' AGREEMENTS

2.1. Bouygues

The terms of the shareholder agreement of 4 December 1998 between SCDM and Artémis relating to their holdings in Bouygues were published by the Conseil des Marchés Financiers (the French financial markets regulator) in a notice of 9 December 1998. They have been amended three times. The amendments were published by the Conseil des Marchés Financiers in decisions dated 13 September 2001 and 23 May 2003 and by the Autorité des Marchés Financiers (the successor to the Conseil des Marchés Financiers) in a decision dated 18 January 2005.

In accordance with the regulations, the parties acting in concert stated their intentions to the Conseil des Marchés Financiers in the following terms:

- Concerted policy within the company: under the terms of a shareholder agreement concluded on 4 December 1998 for an initial three-year period, the parties intend to conduct a concerted business policy for the company and consult each other before taking any decisions that might cause a significant and lasting change in the strategy, legal structure or financial resources of the company or its major subsidiaries. To this end, Artémis will have three seats on the Board of Directors. The parties also agreed to approve all the resolutions put by the Board of Directors to Shareholders' Meetings.
- Shareholdings: the parties do not rule out buying and selling shares but have each agreed to cap their shareholdings and have also agreed that the total number of shares or voting rights held by them, acting in concert, should not exceed one-third of the share capital or voting rights.

The amendment of 13 September 2001 extended the shareholder agreement until 4 December 2004 and cancelled the non-transferability clause in the initial agreement.

The amendment of 22 May 2003 extended the shareholder agreement until 4 December 2007. It preserves the provisions of the agreement as amended except as regards reciprocal preemption rights, which the parties agreed to waive. In particular, it extends the provision stating that the agreement would be terminated ipso jure if SCDM held less than 10% of Bouygues' share capital or Artémis less than 5%.

Under the terms of the amendment of 21 December 2004, Artémis agreed not to hold more than 10% of Bouygues' share capital and SCDM agreed not to hold more than 23%. Artémis further agreed not to hold more than 3,306,518 double voting rights, the number it held on signature of the amendment.

2.2. Bouygues Telecom

The material provisions of the Bouygues Telecom shareholders' agreement are: reciprocal preemption rights, a ban on selling shares to an operator providing a telephone service to the public without the other shareholders' prior consent, and an undertaking by each party not to acquire an equity interest in a rival operator.

The BNP Paribas Group wishing to ensure the liquidity of its 6.5% stake in Bouygues Telecom, the Bouygues Group granted the BNP Paribas Group a promise to buy this stake, exercisable at any time from 1 September 2005 to 31 July 2007. In return, the BNP Paribas Group granted Bouygues a promise to sell, exercisable between 1 and 30 September 2007.

3. VOTING RIGHTS

The principal shareholders of Bouygues hold voting rights on terms no different from those enjoyed by the other shareholders. They are entitled, on the same terms as the other shareholders, to double voting rights subject to the conditions specified in Article 12 of the by-laws, the terms of which are reproduced on page 143 of this Annual Report.

1. BOUYGUES ON THE STOCK MARKET IN 2005

1.1. Shares

Bouygues shares are listed on Euronext's Eurolist (compartment A). There were 336,762,896 shares and investment certificates in issue at 31 December 2005.

During 2005, 2,393,590 shares were issued as a result of the exercise of stock options; 9,972,331 shares were issued in a capital increase reserved for employees under the *Bouygues Confiance 3* employee share ownership plan; and 8,361,649 shares were cancelled. The average number of shares and investment certificates in issue during 2005 was 332,036,321. The average daily volume traded was 1,359,232 securities, 2.3% higher than in 2004.

On 7 January 2005, an exceptional payout of €5 per share or investment certificate was made.

In 2005, Bouygues was the 21st best performing share in the CAC 40, rising by 21.5% and closing at a price of €41.3 on 31 December. After adjusting the share price trend for reinvestment of the exceptional payout, growth in the share price was 41.6%. The CAC 40 index advanced by 23% in 2005, continuing the recovery that began in 2004.

On 7 January 2005, the date on which the €5 per share exceptional payout was made, there was a mechanical correction in the Bouygues share price, which fell from €35.24 (closing price on 6 January 2005) to €30.2 (opening price on 7 January 2005).

Since then, the shares have risen sharply, boosted by strong performances from the Construction businesses in terms of sales, earnings and order books.

Number of shares		Dividend (€)			Quoted market price			Dividend yield based on closing price (%)
		Net	Tax credit	Total	High	Low	Closing	
2001	343,158,371	0.36	0.18	0.54	57.95	25.11	36.99	1.5
2002	343,801,210	0.36	0.18	0.54	38.80	20.40	26.31	2.1
2003	332,671,539	0.50	0.25	0.75	28.28	16.61	27.72	2.7
2004	332,254,414	0.75(1)	-	0.75	34.26	25.94	34.00	2.2
2005	**336,289,029**	**0.90(1)**	**-**	**0.90**	**42.67**	**28.75**	**41.30**	**2.2**

(1) The tax credit has been abolished with effect from 1 January 2005. The dividend now entitles individuals tax-resident in France to tax relief (of 50% in 2005 and 40% in 2006).

On 28 February 2006, the share was trading at €44.06.

1.2. Investment certificates

Bouygues investment certificates are listed on Euronext's Eurolist (compartment A). The table below shows changes in the number of investment certificates (issued in 1986), the dividend paid, and the dividend yield over the last five years:

	Number of investment certificates entitled to dividend	Dividend (€)			Quoted market price			Dividend yield based on closing price (%)
		Net	Tax credit	Total	High	Low	Closing	
2001	593,008	0.36	0.18	0.54	47.47	29.16	37.60	1.4
2002	560,709	0.36	0.18	0.54	40.90	20.26	23.85	2.3
2003	528,430	0.50	0.25	0.75	30.00	16.74	26.20	2.9
2004	504,210	0.75(1)	-	0.75	37.18	23.10	35.00	2.1
2005	**473,867**	**0.90(1)**	**-**	**0.90**	**39.00**	**25.31**	**36.30**	**2.5**

(1) The tax credit has been abolished with effect from 1 January 2005. The dividend now entitles individuals tax-resident in France to 50% tax relief.

On 28 February 2006, the investment certificate was trading at €40.

The Annual General Meeting of 27 April 2006 will be asked to approve the reconstitution of all the investment certificates and voting rights in issue as ordinary shares. For details of this proposal, refer to page 137 of this Annual Report.

2. TRENDS IN SHARE PRICE AND TRADING VOLUME

2.1. Bouygues share price over the last 18 months

	High	Low	Number of shares traded	Capital traded (€m)
2004				
July	28.11	25.94	24,050,209	653
August	28.73	26.55	21,222,382	584
September	30.64	27.58	27,839,474	812
October	31.70	29.92	24,079,054	744
November	33.60	30.82	21,289,133	692
December	34.26	32.00	32,685,449	1,086
2005				
January	30.85	28.75	36,023,161	1,107
February	32.75	29.82	25,331,648	807
March	32.88	30.05	23,868,747	741
April	31.79	29.78	31,058,876	959
May	31.76	30.31	23,512,221	732
June	34.78	30.45	38,411,693	1,241
July	36.45	33.33	25,651,501	900
August	37.59	35.81	41,024,083	1,499
September	38.90	35.86	22,373,185	827
October	41.29	37.06	28,575,475	1,110
November	42.67	40.22	30,698,986	1,267
December	42.22	40.00	21,971,061	901

Source: Euronext

2.2. Investment certificate price

	High	Low	Number of shares traded
2005 first quarter	30.33	25.31	6,574
2005 second quarter	33.66	27.00	5,232
2005 third quarter	34.90	31.65	26,326
2005 fourth quarter	39.00	33.00	4,195

1. GENERAL INFORMATION

1.1. Amount of the share capital

On 31 December 2004, the share capital of Bouygues was €332,758,624, divided into 332,758,624 shares with a nominal value of €1 each. 504,210 shares were divided into as many investment certificates and voting right certificates.

During the financial year 2005, a capital increase reserved for employees was completed in an amount of €250,006,338, at a price per share of €25.07, 9,972,331 shares being issued. This capital increase was subscribed by a leveraged mutual fund forming part of the Group Savings Plan and known as *Bouygues Confiance 3*.

During the financial year 2005, 2,393,590 new shares were created as a result of the exercise of options granted to Group employees, and 8,361,649 shares bought back by the company were cancelled.

Consequently, on 31 December 2005, the share capital of Bouygues was €336,762,896 divided into 336,762,896 shares with a nominal value of €1 each. 473,867 shares were divided into as many investment certificates and voting right certificates.

The number of voting rights on 31 December 2005 was 423,732,243 (on 31 December 2004, the number of voting rights was 418,308,600).

1.2. Changes in the share capital over the last five years

All the amounts appearing in the following table are in euros.

Years	Increases and reductions in the share capital within the last five years	Amount of variations in the share capital		Amount of the share capital	Aggregate number of shares and investment certificates
		Nominal	Premiums and incorporation of reserves		
2001	• Exercise of options for 1,009,490 shares	1,009,490	6,499,867	333,704,178	333,704,178
	• Subscription by Corporate Savings Plan of 10,034,985 shares	10,034,985	219,966,871	343,739,163	343,739,163
	• OCEANE bond conversion: 12,216 shares	12,216	302,664	343,751,379	343,751,379
2002	• Exercise of options for 610,530 shares	610,530	3,930,741	344,361,909	344,361,909
	• OCEANE bond conversion: 10 shares	10	246	344,361,919	344,361,919
from 1 January to 16 June 2003	• Exercise of options for 58,370 shares	58,370	375,903	344,420,289	344,420,289
17 June 2003	• Cancellation of 9,685,825 shares bought back by the company	(9,685,825)	(236,218,525)	334,734,464	334,734,464
From 17 June to 10 December 2003	• Exercise of options for 318,070 shares	318,070	2,048,371	335,052,534	335,052,534
16 December 2003	• Cancellation of 2,521,365 shares bought back by the company	(2,521,365)	(57,386,267)	332,531,169	332,531,169
From 11 December to 31 December 2003	• Exercise of options for 668,800 shares	668,800	4,307,072	333,199,969	333,199,969
From 1 January to 10 June 2004	• Exercise of options for 386,240 shares	386,240	3,646,271	333,586,209	333,586,209
	• OCEANE bond conversion: 13,556,732 shares	13,556,732	335,881,691	347,142,941	347,142,941
15 June 2004	• Cancellation of 13,942,972 shares bought back by the company	(13,942,972)	(379,655,105)	333,199,969	333,199,969
From 11 June to 6 October 2004	• Exercise of options for 191,742 shares	191,742	4,032,822	333,391,711	333,391,711
14 December 2004	• Cancellation of 633,087 shares bought back by the company	(633,087)	(20,177,199)	332,758,624	332,758,624
From 1 January to 16 June 2005	• Exercise of options for 801,427 shares	801,427	14,464,213	333,560,051	333,560,051
21 June 2005	• Cancellation of 1,048,873 shares bought back by the company	(1,048,873)	(31,649,972)	332,511,178	332,511,178
From 17 June to 8 December 2005	• Exercise of options for 1,163,673 shares	1,163,673	26,788,468	333,674,851	333,674,851
13 December 2005	• Cancellation of 7,312,776 shares bought back by the company	(7,312,776)	(279,502,996)	326,362,075	326,362,075
28 December 2005	• Subscription by the mutual fund Bouygues Confiance 3 of 9,972,331 shares	9,972,331	240,034,007	336,334,406	336,334,406
From 9 December to 31 December 2005	• Exercise of options for 428,490 shares	428,490	7,986,521	336,762,896	336,762,896

1.3. Authorisations to increase or reduce the share capital or to buy back shares

In accordance with Article L. 225-100 paragraph 7 of the Commercial Code, the following table lists the current powers granted to the Board of Directors by the Annual Meeting, and the use made of these powers during the financial year.

Purpose	Global ceiling or maximum nominal amount (€m)	Duration	AGM	Use of the powers during the financial year 2005
1. Purchase by the company of its own shares or investment certificates	10% of the capital	18 months	28/04/2005	Purchase of 12,078,486 shares (including 1,668,900 in respect of the buyback programme authorised by the AGM on 22/04/2004)
2. Issue (with preferential subscription rights) of shares or transferable securities giving access to the share capital of the company or of a company of which it has more than 50% control	150 5,000 (debt securities)	26 months	28/04/2005	nil
3. Increase of capital by incorporation of reserves, earnings or issue premiums	4,000	26 months	28/04/2005	nil
4. Issue (without preferential subscription rights) of shares or transferable securities giving access to the share capital of the company or of a company of which it has more than 50% control	150(1) 5,000 (debt securities)(1)	26 months	28/04/2005	nil
5. Increase in the number of securities to be issued in the event of a capital increase with or without preferential subscription rights	15% of the initial issue(1)	26 months	28/04/2005	nil
6. Fixing of the issue price by public tender offer, without preferential subscription rights, of equity capital or any transferable securities giving access to the share capital	10% of the capital(1)	26 months	28/04/2005	nil
7. Increase in the share capital with a view to paying for capital contributions consisting of shares of a company or of transferable securities giving access to the share capital of a company	10% of the capital(1)	26 months	28/04/2005	nil
8. Increase in the share capital with a view to paying for securities tendered in a public exchange offer	150(1)	26 months	28/04/2005	nil
9. Increase in the share capital for the benefit of company or Group employees belonging to a company savings plan	10% of the capital	26 months	28/04/2005	28/12/2005: increase in the share capital of €250,006,338 (nominal €9,972,331, or 3.06% of the share capital on that date) reserved for employees
10. Approval of the issue by a subsidiary of the company, of equity capital giving access, whether immediately or in the future, to shares of the company	150(1)	26 months	28/04/2005	nil
11. Free allocation of shares to company or Group employees	10% of the capital	38 months	28/04/2005	nil
12. Issue of shares in the context of stock options, without preferential subscription rights	Limit fixed by law	38 months	28/04/2005	21/06/2005: introduction of a stock option plan enabling 984 beneficiaries to subscribe for 3,102,500 shares (exercise price: €31.34)
13. Issue of transferable securities conferring a right to the allocation of debt securities	5,000	26 months	28/04/2005	nil
14. Reduction of the capital by cancellation of treasury shares	10% of the capital per 24-month period	18 months	28/04/2005	21/06/2005: cancellation of 1,048,873 shares (0.31% of the share capital on that date) 13/12/2005: cancellation of 7,312,776 shares (2.19% of the share capital on that date)
15. Issue of preference shares without voting rights and with the same rights as investment certificates	10 10 (debt securities)	18 months	28/04/2005	nil

(1) charged to the global ceiling indicated in point 2 of this table

2. ADDITIONAL REPORT ON THE USE OF POWERS RELATING TO INCREASES IN THE SHARE CAPITAL

The additional report of the Board of Directors provided for by Article L. 225-129-5 of the Commercial Code and Article 155-2 of the Decree of 23 March 1967 appears on page 223 of this Annual Report.

3. FINANCIAL AUTHORISATIONS SUBMITTED TO THE ANNUAL MEETING ON 27 APRIL 2006

The following table summarises the delegated powers and authorisations to be conferred on the Board of Directors by the Combined Annual Meeting on 27 April 2006. With effect from the date of their approval by the meeting, these financial authorisations cancel and replace those previously granted for the same purpose, if applicable in respect of the unused part thereof.

Purpose	Global ceiling or maximum nominal amount (€m)	Duration
1. Purchase by the company of its own shares or investment certificates	10% of the capital	18 months
2. Reduction of the capital by cancellation of treasury shares	10% of the capital per 24-month period	18 months
3. Issue of preference shares without voting rights and conferring the same rights as investment certificates. This resolution will only be submitted to the vote of the Annual Meeting in the event that the resolution relating to the reconstitution of investment certificates and voting right certificates as shares is not adopted.	10 10 (debt securities)	18 months
Draft law transposing the Takeovers Directive:		
4. Use, during the period of public tender offers, of delegated powers and authorisations to increase the share capital, in the event that such use is authorised by law. The draft law transposing the Takeovers Directive was still subject to adoption by Parliament at the beginning of March 2006. The draft law provides that, subject to the principle of reciprocity and in the event of a public tender offer, the Board of Directors will be able to take any step expressly authorised by the Annual Meeting within the eighteen months preceding the filing of the offer.	Ceilings provided by the various applicable authorisations	14 months
5. Issue of equity warrants on preferential terms, during the period of a public tender offer, in the event that such issues are permitted by law. The draft law transposing the Takeovers Directive provides that, subject to the principle of reciprocity, the Annual Meeting will be able to authorise the Board of Directors, during the period of a public tender offer, to issue equity warrants on preferential terms and to grant them to shareholders free of charge. Since the question of which Annual Meeting is competent to issue such an authorisation is still under discussion (whether ordinary or extraordinary), two similar resolutions have been drafted (the first for an ordinary meeting and the second for an extraordinary meeting) in order to cover both possibilities.	150[1]	18 months

(1) charged to the global ceiling indicated in point 2 of the previous table

4. COMPANY SAVINGS PLAN

On 31 December 2005, Group employees owned 13.3% of the capital of Bouygues and 17.5% of its voting rights, mainly through a number of mutual funds.

- The participation mutual fund, created in 1968, invests in Bouygues shares bought on the market. During the last five years, the investment made has amounted to €30.1 million. On 31 December 2005, this fund owned 3.04% of the capital of Bouygues and 4.43% of the voting rights.
- The Group Savings Plan mutual fund collects voluntary contributions from employees and the contribution made by the company. These are invested in Bouygues shares by direct purchases made on the market. On 31 December 2005, this fund owned 3.77% of the capital of Bouygues and 5.32% of the voting rights. During the last five years, total savings and company contributions have amounted to €351 million, including €193 million in savings made by employees and €158 million in contributions made by the company.
- The leveraged mutual fund known as *Bouygues Confiance*, created following the increases in the share capital carried out in December 1999 and January 2000, owned 2.20% of the capital and 1.75% of the voting rights on 31 December 2004. This fund matured on 5 January 2005 and the sums held were paid out to the employee shareholders.
- Following the increases in the share capital carried out in 2001 and 2005, the leveraged mutual funds known as *Bouygues Confiance 2, Bouygues Confiance 2 International* and *Bouygues Confiance 3,* own 5.47% of the share capital and 6.34% of the voting rights as at 31 December 2005.
- A Bouygues Immobilier mutual fund owns 0.10% of the share capital and 0.14% of the voting rights.

5. STOCK OPTIONS

On 31 December 2005, current stock options granted pursuant to authorisations conferred by Extraordinary Annual Meetings represented a maximum of 11,351,815 new shares. This figure corresponds to options that can actually be exercised, i.e. where the exercise right is no longer restricted and where the exercise price is lower than the stock market price on 30 December 2005 (€41.30).

6. RECONSTITUTION OF INVESTMENT CERTIFICATES AND VOTING RIGHT CERTIFICATES AS SHARES

A proposal will be made to the Annual Meeting on 27 April 2006 to approve the reconstitution of existing investment certificates and voting right certificates as shares, pursuant to Article L. 228-31 of the Commercial Code. In fact, when existing investment certificates represent no more than 1% of the authorised share capital of a listed company, that company can reconstitute such investment certificates and voting right certificates as shares.

This reconstitution, which requires the prior approval of the meeting of holders of voting right certificates to be held on 12 and 26 April 2006, would take place by way of the transfer by Bouygues to the holders of investment certificates of the corresponding number of voting right certificates, free of charge.

The terms and conditions of the transaction are specified in the report of the Board of Directors on the reconstitution of investment certificates and voting right certificates as shares (page 233 of this document).

7. POTENTIAL CREATION OF NEW SHARES

11,351,815 shares would be added to the 336,762,896 shares and investment certificates existing on 31 December 2005 if all exercisable stock options were exercised, bringing the total number of shares and investment certificates to 348,114,711.

8. BUYBACK OF SHARES

Special report on the buyback of shares (Articles L. 225-209 and L. 225-211 of the Commercial Code)

8.1. Summary of the use made by the Board of Directors of the authorisations conferred by the Annual Meeting

The Annual Meetings on 22 April 2004 and 28 April 2005 authorised the Board of Directors to buy back the company's own shares and investment certificates in the context of the share buyback programmes approved by the AMF, respectively, under no. 04-226 on 30 March 2004 and no. 05-242 on 8 April 2005.

Summary of purchases and sales of shares during the financial year

During the financial year 2005, the company purchased 12,078,486 shares (1,668,900 between January and April in the context of the programme authorised by the Annual Meeting on 22 April 2004, and 10,409,586 between May and December in the context of the programme authorised by the Annual Meeting on 28 April 2005), representing 0.03% of the share capital as at 31 December 2005.

The Annual Meeting on 28 April 2005 authorised the Board of Directors to reduce the authorised share capital by cancelling up to 10% of the authorised capital per 24-month period in accordance with the law. Pursuant to this provision, the Board of Directors cancelled 1,048,873 shares on 21 June 2005 representing 0.31% of the capital on that date, and then cancelled 7,312,776 shares on 13 December 2005, representing 2.19% of the capital on that date.

Shares were also bought and sold pursuant to a liquidity contract conforming to a Code of Ethics approved by the AFEI.

• number of shares registered in the name of the company on 31/12/2004	10,000[(1)]
• number of shares purchased during the financial year	12,078,486
• number of shares sold during the financial year	3,621,837
• number of shares cancelled during the financial year	8,361,649
• number of shares registered In the name of the company on 31/12/2005	105,000[(1)]
• percentage of the authorised share capital owned by the company on 31/12/205	0.03%

(1) pursuant to the liquidity contract

Between 24 March 2005 and 20 March 2006, the company carried out the following operations[(*)]:

(*) The period concerned began on the day after the date on which the report of the previous programme was prepared and will end on the date on which the description of the programme is published.

Situation as at 20 March 2006:

Percentage of share capital directly or indirectly owned as treasury shares:	0.37% on 20/03/2006
Number of shares cancelled in the last 24 months:	22,937,708
Number of shares held in the portfolio[(1)]:	1,245,100
Book value of the portfolio:	€52,145,374
Market value of the portfolio[(2)]:	€54,958,714

(1) including 400,000 pursuant to a liquidity contract complying with the AFEI Code of Ethics, 546,000 allocated for use in future acquisition transactions, and the balance being earmarked for cancellation
(2) opening price on 21/03/2006: €44.14

Transactions carried out other than in the context of the liquidity contract:

	Aggregate gross amounts[(1)]		Positions opened in the context of the previous buyback programme until the date of publication of programme description			
			Purchase positions opened		Sale positions opened	
	Purchases	Sales / Transfers	Call options purchased	Futures purchased	Call options sold	Futures sold
Number of shares	8,927,922	0	(3)			
Average maximum maturity (years)			(3)			
Average transaction price	€38.69	0				
Average exercise price			(3)			
Amounts	**345,444,951**	**0**				

(3)	***Option 1***	***Option 2***	***Option 3***	***Option 4***
Number of shares	*2,283,650*	*3,056,000*	*55,959*	*56,140*
Average maximum maturity (years)	*2.0*	*6.3*	*4.7*	*0.8*
Average exercise price	*€33.81*	*€31.34*	*€31.34*	*€24.59*

Transactions carried out other than in the context of the liquidity contract:

	Aggregate gross amounts	
	Purchases	Sales / Transfers
Number of shares	3,920,780	4,037,780
Average price of the transaction	€39.69	€38.65
Amounts	€155,629,855	€156,078,776

8.2. Authorisation to be given to the Board of Directors to enable it to intervene in its own shares or investment certificates and to be submitted to the Annual Meeting on 27 April 2006

In accordance with Articles 241-2 and 241-3 of the *Autorité des Marchés Financiers* regulations, the company is publishing information relating to the share buyback programme to be submitted for the authorisation of the Annual Meeting on 27 April 2006, in this report.

Objectives of the buyback programme

Bouygues' intention is to renew its option to implement a buyback programme in relation to the company's shares and investment certificates.

The objectives of this buyback programme will be:

- to ensure the liquidity of and stimulate the market in its shares through the use of an investment services provider acting wholly independently in the context of a liquidity agreement in accordance with the Code of Ethics of the AFEI recognised by the *Autorité des Marchés Financiers*;
- to deliver shares upon the exercise of rights attached to transferable securities conferring a right to the allocation of shares in the company, by way of reimbursement, conversion, exchange, presentation of a coupon or in any other way;
- to retain shares with a view to their subsequent delivery by way of payment or exchange in the context of external growth transactions, in order to minimise the cost of the acquisition or, more generally, improve the terms of the transaction;
- to allocate shares to employees or corporate officers of the company or of companies in its Group on the terms and conditions provided by law, and particularly in the context of profit sharing upon the expansion of the business, under the stock options regime or by means of a company or inter-company savings plan, or by way of an allocation of shares free of charge;
- to cancel shares subject to authorisation by the Extraordinary Annual Meeting;
- to implement any market practice which might be accepted by the *Autorité des Marchés Financiers*, and more generally to carry out any transaction in accordance with the regulations in force.

Securities bought back and retained by Bouygues will be stripped of their voting rights and will not confer rights to the payment of dividends. Shares or investment certificates may be purchased in any way in accordance with the regulations in force, on the market or off-market, in particular over-the-counter, including by means of derivative financial instruments and at any time, particularly during periods of public tender, exchange or standing offers. There shall be no limit on the proportion of the programme that may take place by the trading of blocks, which may represent the whole of the programme.

Shares purchased may be sold particularly under the conditions laid down by the *Autorité des Marchés Financiers* in its note dated 6 December 2005 relating to the introduction of a new regime governing the buyback of a company's own shares.

Pursuant to this authorisation, the company may purchase its own shares or investment certificates on the market or off-market in accordance with the limits indicated below:

- maximum purchase price: €80 per share or investment certificate,
- minimum sale price: €30 per share or investment certificate, subject to adjustments associated with any operations relating to the company's share capital.

The maximum amount that may be allocated to the share and investment certificate buyback programme shall be €1,500,000,000 (one billion five hundred million euros).

The total number of shares and investment certificates held on any given date may not exceed 10% of the authorised share capital existing on that date.

Duration of the buyback programme: eighteen months from the date of its approval by the Annual Meeting, namely until 26 October 2007. No more than 10% of the share capital may be cancelled per 24-month period.

1. DIVIDEND

1.1. Appropriation and distribution of the earnings of Bouygues SA (parent company)

The Annual Meeting, having acquainted itself with the Board of Directors' report on operations and having noted that distributable earnings, before appropriation to the legal reserve, amounted to €537,180,016.80, is asked to approve the following appropriation and distribution:

- distribution of a first net dividend (5% of par) of €0.05 per share or per investment certificate, representing a total amount of €16,838,144.80, drawn from distributable earnings;
- distribution of an additional net dividend of €0.85 per share or per investment certificate, representing a total amount of €286,248,461.60;
- appropriation of the balance, amounting to €234,093,410.40, to retained earnings.

Subject to approval by the Annual General Meeting, the dividend of €0.90 net per share and per investment certificate will be paid in cash from 3 May 2006.

Should the company hold some of its own stock when the dividend is distributed, the sum corresponding to the amount of dividend not paid because of the nature of such stock will be allocated to retained earnings.

The company is required by law to state the dividends distributed in respect of each of the last three years and the related tax credits. They were as follows:

	2002	2003	2004	Exceptional payout(2)
Number of shares	344,361,919	333,199,969	332,758,624	332,758,624
Dividend	€0.36	€0.50	€0.75	€2.52
Tax credit(1)	€0.18	€0.25	-	-
Total dividend per share	€0.54	€0.75	€0.75	€2.52
Total dividend payout	€121,089,514.32	€166,423,811.00	€248,928,093.00	€838,551,732.48
Distributed income eligible for the rebate specified in item 2 of article 158.3 of the French General Tax Code	-	-	€248,928,093.00	€838,551,732.48

(1) calculated at the rate of 50%

(2) The amounts shown relate to the portion of the exceptional payout of €5.00 per share or per investment certificate (as approved by the Ordinary General Meeting of 7 October 2004 and paid on 7 January 2005) classified as dividend for tax purposes. Of the total €5.00 payout, €2.52 was classified as dividend and €2.48 as repayment of capital contributions for tax purposes.

Dividends not claimed within five years are paid to the French State.

2. FIVE-YEAR FINANCIAL SUMMARY

	2001	2002	2003	2004	2005
CAPITAL AT YEAR-END					
a) Share capital (€)	343,751,379	344,361,919	333,199,969	332,758,624	336,762,896
b) Number of ordinary shares in issue	343,158,371	343,801,210	332,671,539	332,254,414	336,289,029
c) Number of investment certificates (without voting rights)	593,008	560,709	528,430	504,210	473,867
d) Maximum number of shares to be issued in the future:					
• by reconstitution of investment certificates and voting right certificates as ordinary shares(1)	593,008	560,709	528,430	504,210	473,867
• by exercise of stock options	10,588,944	13,420,560	15,326,960	17,626,248	20,953,720
• by conversion and / or exchange of convertible bonds	16,550,756	16,550,746	16,550,746	-	-
OPERATIONS AND RESULTS FOR THE YEAR (€)					
a) Sales excluding taxes	73,416,040	62,497,403	61,677,048	68,137,090	64,270,115
b) Earnings before tax, depreciation, amortisation and provisions	230,010,624	21,715,695	119,984,708	385,435,019	173,230,055
c) Income tax	22,310,429	(1,925,403)	58,783,774	55,295,002	(37,656,430)
d) Employee profit-sharing	-	-	(250,000)	(69,154)	(224,770)
e) Earnings after tax, depreciation, amortisation and provisions	236,941,212	120,842,391	216,422,001	585,890,338	260,833,378
f) Distributed earnings	122,306,699	121,089,514	166,423,811	248,928,093	303,086,606
g) Withholding tax	0	0	0	Nil	Nil
PER SHARE DATA (€)					
a) Earnings after tax but before depreciation, amortisation and provisions	0.73	0.06	0.54	1.32	0.40
b) Earnings after tax, depreciation, amortisation and provisions	0.69	0.35	0.65	1.76	0.77
c) Gross dividend allocated to each share	0.54	0.54	0.75	0.75(2)	0.90(2)
PERSONNEL					
a) Average number of employees during the year	261	253	244	227	195
b) Total payroll for the year (€)	38,521,514	36,496,987	37,747,311	38,215,169	34,374,008
c) Amount paid in respect of employee benefits (social security, welfare benefits, etc.) for the year (€)	15,062,453	11,250,274	12,551,862	13,363,283	11,678,781

(1) such reconstitution would not change the share capital
(2) without tax credit

1. GENERAL INFORMATION

Company name	Bouygues
Registered office	90 avenue des Champs-Élysées 75008 Paris - France
With effect from 1 July 2006, the registered office will be located at	32 avenue Hoche 75008 Paris - France
Registration number	572 015 246 Paris
APE code	452 B
Form	société anonyme (public limited company)
Date of incorporation	15 October 1956
Expiry date	14 October 2089
Financial year	1 January to 31 December
Governing law	French

2. BRIEF HISTORY OF THE GROUP

1952 Francis Bouygues forms a building firm

1955 First diversification: creation of Bouygues Immobilier

1970 Bouygues is floated on the Paris stock market

1984 Expansion into services, takeover of Saur (sold in 2004)

1986 Acquisition of Colas, the world's leading road building company

1987 Bouygues is named operator and main shareholder of TF1

1989 Martin Bouygues is appointed Chairman & CEO of the Bouygues group

1996 Launch of Bouygues Telecom, France's third mobile phone operator

2002 Bouygues Telecom launches i-mode™, the pocket internet

2003 Bouygues owns 83% of Bouygues Telecom

2004 Exceptional payout of €1.7 billion

2005 All divisions yield strong profits

3. BY-LAWS

3.1. Purpose (Article 2 of the by-laws)

The company has as its purpose in all countries:

- the acquisition, directly or indirectly, of interests in all French or foreign companies or groupings, whatever their purpose or business, and the management and disposal as appropriate of such interests,
- the creation, acquisition, operation and disposal as appropriate of all French or foreign undertakings, in any field of business, whether industrial, commercial or financial, including in particular in the construction sector (building, civil works, roads, property) and the service sector (public utilities management, media, telecommunications),
- and in general, all industrial, commercial, financial, mining and agricultural operations or transactions and all operations or transactions involving movable or real property relating directly or indirectly to the purpose set forth above or to all similar or related purposes that may enable or facilitate the achievement or pursuit thereof.

3.2. Appropriation of earnings (Article 24 of the by-laws)

At least 5% of net earnings for the year, minus prior losses if any, are retained in order to constitute the legal reserve. This requirement ceases to be mandatory when the legal reserve equals one tenth of the share capital.

The sum necessary to pay the holders of shares and investment certificates a first dividend equal to 5% of the paid-up share capital is retained from distributable earnings. After appropriations to other reserves and to retained earnings decided by the Annual Meeting, the balance of distributable earnings is divided between the holders of shares and investment certificates.

3.3. Annual meetings (Articles 19 to 21 of the by-laws)

Annual meetings of shareholders are called in accordance with the formalities required by law. They consist of all holders of shares and voting certificates, whatever the number of shares or certificates they hold.

Special meetings of holders of investment certificates and of bonds issued by the company may be called in the cases provided for by the prevailing laws and regulations.

All documents required in order to vote at annual meetings must reach the company at the latest on the third day before the date of the meeting.

3.4. Double voting rights (Article 12 of the by-laws - Provision in force since 1 January 1972)

Double voting rights are allocated to all fully paid-up shares that are proved to have been registered for at least two years in the name of the same holder.

In the event of a capital increase by incorporation of reserves, profits or premiums, double voting rights are conferred as of issue on registered shares allocated as a bonus to shareholders in respect of existing shares conferring such entitlement. Double voting rights attached to registered shares will be lost if such shares are converted into bearer shares or if title to them is transferred, except in cases where the law provides otherwise.

The extraordinary annual meeting may not abolish double voting rights without being authorised to do so by a special meeting of holders of those rights (Article L. 225-99 of the Commercial Code).

3.5. Thresholds (Article 8.3 of the by-laws)

Persons holding directly or indirectly at least 1% of the capital or voting rights are required to inform the company of the total number of shares or voting certificates they own. Notification must be made by registered letter with acknowledgment of receipt sent to the registered office within fifteen days of conclusion of the transaction, on or off the stock market, irrespective of delivery of the securities.

Further disclosures must be made under the same conditions each time the 1% threshold is crossed in either direction.

If disclosures are not made under the conditions set forth above, the voting rights attached to shares or voting certificates exceeding the fraction that should have been disclosed are suspended under the conditions provided by law if a request to that effect is made at the Annual Meeting by one or more shareholders holding at least 5% of the share capital or voting rights.

Under the terms of Article 8.2 of its by-laws, the company is authorised to use all legal means regarding the identification of holders of securities conferring an immediate or future right to vote at shareholders' meetings.

4. PLACES WHERE LEGAL DOCUMENTS MAY BE CONSULTED

Documents relating to Bouygues which must be made available to the public (copies of the deed of incorporation and by-laws, historical financial information relating to the company and its subsidiaries for each of the two financial years preceding the publication of the annual report and the reports and certificates of the statutory auditors referred to in the annual report and in this update), may be consulted at the registered office located at 90 avenue des Champs-Élysées, 75008 Paris, and, with effect from 1 July 2006, at 32 avenue Hoche, 75008 Paris.

With the exception of the deed of incorporation, the aforementioned documents may also be consulted electronically on the company's website at www.bouygues.com, under the heading "Finance".

1. PUBLISHED INFORMATION

In accordance with Article L. 451-1-1 of the Monetary and Financial Code, and Article 221-1-1 of the general regulations of the AMF, this document contains all the information published or made public by the company within the European Economic Area or in any third country during the last twelve months in order to satisfy its legislative or regulatory obligations as regards financial instruments, issuers of financial instruments or markets in financial instruments.

MISCELLANEOUS INFORMATION

Date of publication	Subject	Publication
2 March 2005	2004 net earnings	AMF and Bouygues websites
	Financial announcements	L'Agefi (03/03/2005), Les Échos (03/03/2005), Le Figaro (05/03/2005), Le Monde (05/03/2005), La Tribune (04/03/2005), Investir (05/03/2005), Le Journal des Finances (05/03/2005), Option Finance (07/03/2005), La Vie Financière (04/03/2005), Valeurs Actuelles (04/03/2005), Le Revenu (04/03/2005), Financial Times (14/03/2005), The Wall Street Journal (07/03/2005), Europe, USA and Asia editions Handelsblatt (12/04/2005)
3 March 2005	Expiry of the term of office of a Deputy CEO	Les Petites Affiches
9 March 2005	2004 sales	AMF and Bouygues websites
	Financial announcements	L'Agefi (09/02/2005), Option Finance (14/02/2005), Le Revenu (11/02/2005)
16 March 2005	Annual Meeting press release	Les Echos - Bouygues website
16 March 2005	Notice of meeting (Annual Meeting)	BALO (Compulsory Legal Announcements Bulletin)
16 March 2005	Notice of meeting (Special meeting of holders of investment certificates)	BALO
18 March 2005	Expiry of the term of office of a Deputy CEO	Office of the Clerk of the Paris Commercial Court
23 March 2005	Annual accounting documents	BALO
8 April 2005	Share buyback programme	AMF - Les Échos (13/04/2005)
8 April 2005	Notice of meeting (Annual Meeting)	BALO - Les Petites Affiches
8 April 2005	Notice of meeting (Special meeting of holders of investment certificates)	BALO - Les Petites Affiches
12 April 2005	Financial review	AMF and Bouygues websites
3 May 2005	Sales for the first quarter 2005	AMF and Bouygues websites
	Financial announcement	L'Agefi (04/05/2005)
4 May 2005	Total number of voting rights on 28 pril 2005	BALO
12 May 2005	Appointment of a director	Les Petites Affiches
13 May 2005	Sales for the first quarter 2005 under IFRS	BALO

MISCELLANEOUS INFORMATION		
Date of publication	**Subject**	**Publication**
13 May 2005	Certificate of the statutory auditors	BALO
18 May 2005	Filing of parent accounts This filing comprises the following items: - report of the statutory auditors on the parent accounts; - 2004 annual accounts comprising the balance sheet, the income statement and the notes to the accounts; - management report of the Board of Directors to the Annual Meeting on 28 April 2005; - report of the Chairman of the Board of Directors; - table of appropriation of earnings; - resolution of the Annual Meeting on 28 April 2005 approving this appropriation; - inventory of transferable securities.	Office of the Clerk of the Paris Commercial Court
19 May 2005	Reduction decision	Office of the Clerk of the Paris Commercial Court
19 May 2005	Authorisation to increase the share capital	Office of the Clerk of the Paris Commercial Court
19 May 2005	Amendments to the by-laws and updated by-laws	Office of the Clerk of the Paris Commercial Court
30 May 2005	Expiry of the term of office of a director	Les Petites Affiches
1 June 2005	Change of director(s)	Office of the Clerk of the Paris Commercial Court
6 June 2005	Filing of consolidated accounts. This filing comprises the following items: - report of the statutory auditors on the consolidated accounts; - 2004 consolidated accounts comprising the balance sheet, income statement and notes to the accounts; - management report of the Board of Directors to the Annual Meeting on 28 April 2005; - report of the Chairman of the Board of Directors; - table of appropriation of earnings; - resolution of the Annual Meeting on 28 April 2005 approving the consolidated accounts; - inventory of transferable securities.	Office of the Clerk of the Paris Commercial Court
22 June 2005	First publication of accounts under IFRS - Net profit for the first quarter 2005	AMF and Bouygues websites
	Financial announcements	L'Agefi (23/06/05), Les Échos (23/06/05), Le Figaro (25/06/05), Option Finance (27/06/05), Le Revenu (24/06/05), Financial Times (30/06/05)
23 June 2005	Decision to increase the share capital – Cancellation of shares – Recording the reduction of the share capital. Amendment of the by-laws	Les Petites Affiches

MISCELLANEOUS INFORMATION		
Date of publication	**Subject**	**Publication**
4 July 2005	Press release containing the half-yearly statement of the liquidity contract of Bouygues SA	AMF and Bouygues websites
6 July 2005	Decision to reduce and increase the share capital - Reduction in the share capital, increase in the share capital – Updated bylaws	Office of the Clerk of the Paris Commercial Court
22 July 2005	Prospectus and reference document of 21 July 2005	Luxembourg Stock Exchange website
28 July 2005	Privatisation of the motorways: Bouygues has decided not to make an offer - Press release	AMF and Bouygues websites
9 August 2005	Sales for the first half of 2005	AMF and Bouygues websites
12 August 2005	Sales for the first half of 2005	BALO
22 August 2005	Information on crossing of thresholds	AMF website
	Net profit for the first half year	AMF and Bouygues websites
14 September 2005	Financial announcements	L'Agefi (16/09/2005), Les Échos (15/09/2005), Le Figaro (17/09/2005), Le Monde (18 and 19/09/2005), La Tribune (16/09/2005), Investir (17/09/2005), Le Journal des Finances (17/09/2005), Option Finance (19/09/2005), La Vie Financière (16/09/2005), Le Revenu (16/09/2005), Financial Times (19/09/2005), The Wall Street Journal (19/09/2005), Europe, USA and Asia editions
12 October 2005	Philippe Montagner appointed Chairman and CEO of Bouygues Telecom and Nonce Paolini confirmed as Deputy CEO	AMF and Bouygues websites
24 October 2005	Table of sales and profits for the first half of 2005 (or half-yearly consolidated accounts and half-yearly business reports)	BALO
8 November 2005	Sales for the first nine months	AMF and Bouygues websites
14 November 2005	Sales for the first nine months	BALO
1 December 2005	Information on crossing of thresholds	AMF website
13 December 2005	Resignation of directors – change of directors. Decision to increase and reduce the share capital. Amendment of the by-laws. Updated by-laws.	Office of the Clerk of the Paris Commercial Court
14 December 2005	Net profit for the first nine months of 2005	AMF and Bouygues websites
	Financial announcements	L'Agefi (16/12/2005), Les Échos (15/12/2005), Option Finance (19/12/2005), Le Revenu (16/12/2005)

MISCELLANEOUS INFORMATION		
Date of publication	**Subject**	**Publication**
28 December 2005	Decision to increase the share capital - Amendment of the by-laws. Bank certificate - Updated bylaws.	Office of the Clerk of the Paris Commercial Court
2006		
2 January 2006	Decision to increase the share capital - Amendment of the by-laws. Bank certificate - Updated by-laws.	Office of the Clerk of the Paris Commercial Court
4 January 2006	Decision to increase the share capital. Amendment of the by-laws. Updated by-laws.	Office of the Clerk of the Paris Commercial Court
6 January 2006	Resignations and appointments of directors. Recording of an increase in the share capital. Recording of a reduction in the share capital. Amendment of the by-laws.	Les Petites Affiches
13 January 2006	Press release containing the half-yearly statement of the liquidity contract of Bouygues SA.	AMF website
18 January 2006	Number of voting rights and shares	BALO
8 February 2006	Admission and listing of shares	BALO
9 February 2006	Sales for the financial year 2005	AMF and Bouygues websites
13 February 2006	Sales for the financial year 2005	BALO
21 February 2006	Reference document (Prospectus) of 21 February 2006, unaudited consolidated accounts to 30/06/2005 and unaudited consolidated accounts to 30/09/2005	Luxembourg Stock Exchange website
1 March 2006	Strong growth in sales and profits	Sites internet : AMF - Bouygues
	Financial announcements	L'Agefi (03/03/2006), Les Échos (02/03/2006), Le Figaro (04/03/2006), Le Monde (03/03/2006), La Tribune (06/03/2006), Investir (04/03/2006), Le Journal des Finances (04/03/2006), Option Finance (06/03/2006), La Vie Financière (03/03/2006), Valeurs actuelles (03/03/2006), Financial Times (20/03/2006), The Wall Street Journal, éditions Europe, USA et Asie (06/03/2006), Handelsblatt (09/03/2006).
6 March 2006	Notice of meeting (Special meeting of holders of voting right certificates)	BALO
6 March 2006	Press release (Special meeting of holders of voting right certificates)	Les Échos - Bouygues website
15 March 2006	Notice of meeting (Special meeting of holders of investment certificates and Annual Meeting)	BALO
15 March 2006	Press release (Special meeting of holders of investment certificates and Annual Meeting)	Les Échos, L'Agefi - Bouygues website
17 March 2006	Press release (Special meeting of holders of voting right certificates and Annual Meeting)	Les Échos, L'Agefi
27 March 2006	Notice of meeting (Special meeting of holders of voting right certificates)	BALO - Les Petites Affiches

PRESS RELEASES RELATING TO TRADING BY BOUYGUES IN ITS OWN SHARES

Date de publication	Period concerned	Publication
14 March 2005	February 2005	AMF and Bouygues websites
21 March 2005	from 15 to 18 March 2005	
29 March 2005	from 21 to 24 March 2005	
4 April 2005	from 29 March to 1 April 2005	
11 April 2005	from 4 to 8 April 2005	
18 April 2005	March 2005	
3 May 2005	26 April 2005	
9 May 2005	April 2005	
24 May 2005	from 16 to 20 May 2005	
30 May 2005	from 23 to 27 May 2005	
13 June 2005	May 2005	
4 July 2005	27 June 2005	
11 July 2005	7 July 2005	
11 July 2005	June 2005	
25 July 2005	from 19 to 22 July 2005	
1 August 2005	from 25 to 29 July 2005	
8 August 2005	from 1 to 5 August 2005	
16 August 2005	from 10 to 12 August 2005	
16 August 2005	July 2005	
22 August 2005	from 16 to 19 August 2005	
5 September 2005	26 August 2005	
12 September 2005	August 2005	
19 September 2005	from 12 to 16 September 2005	
26 September 2005	from 19 to 23 September 2005	
3 October 2005	from 26 to 30 September 2005	
10 October 2005	from 3 to 7 October 2005	
11 October 2005	cancelled and replaced: from 3 to 7 October 2005	
17 October 2005	from 10 to 14 October 2005	
24 October 2005	from 17 to 21 October 2005	
24 October 2005	September 2005	
2 November 2005	from 24 to 28 October 2005	

7 November 2005	from 31 October to 4 November 2005	AMF and Bouygues websites
14 November 2005	from 7 to 11 November 2005	
21 November 2005	14 November 2005	
21 November 2005	October 2005	
28 November 2005	25 November 2005	
12 December 2005	November 2005	
26 December 2005	20 December 2005	
2006		
2 January 2006	27 and 29 December 2005	
9 January 2006	2 January 2006	
16 January 2006	December 2005	
30 January 2006	26 and 27 January 2006	
6 February 2006	1 February 2006	
27 February 2006	23 February 2006	
6 March 2006	from 1 to 3 March 2006	
13 March 2006	from 6 to 8 March 2006	
27 March 2006	from 21 to 23 March 2006	

PRESS RELEASES RELATING TO TRANSACTIONS BY CORPORATE OFFICERS OR CLOSELY RELATED INDIVIDUALS AND LEGAL ENTITIES		
Date of publication	**Dates of the transactions**	**Publication**
25 April 2005	18 april 2005	AMF and Bouygues websites
24 May 2005	10 May 2005	
30 May 2005	2 February 2005 and 26 May 2005	
6 June 2005	6 June 2005	
27 June 2005	22 June 2005	
4 July 2005	from 28 to 30 June 2005	
11 July 2005	6 July 2005	
8 August 2005	1 August 2005	
8 August 2005	cancelled and replaced: 1 August 2005	
16 August 2005	4 August 2005	
22 August 2005	17 August 2005	
19 September 2005	14 and 15 September 2005	
3 October 2005	from 19 to 22 September 2005	
2 November 2005	26 October 2005	
7 November 2005	3 November 2005	
21 November 2005	from 15 to 18 November 2005	
28 November 2005	from 21 to 25 November 2005	
5 December 2005	28 November 2005	
19 December 2005	from 15 to 16 December 2005	
26 December 2005	from 19 to 23 December 2005	
2006		
2 January 2006	from 27 to 30 December 2005	
9 January 2006	from 2 to 6 January 2006	
16 January 2006	12 January 2006	
6 March 2006	2 and 3 March 2006	
20 March 2006	15 and 16 March 2006	

2. AVAILABILITY OF INFORMATION

2.1. In electronic form

Bouygues website: www.bouygues.com

Autorité des Marchés Financiers (AMF) website: www.amf-france.org

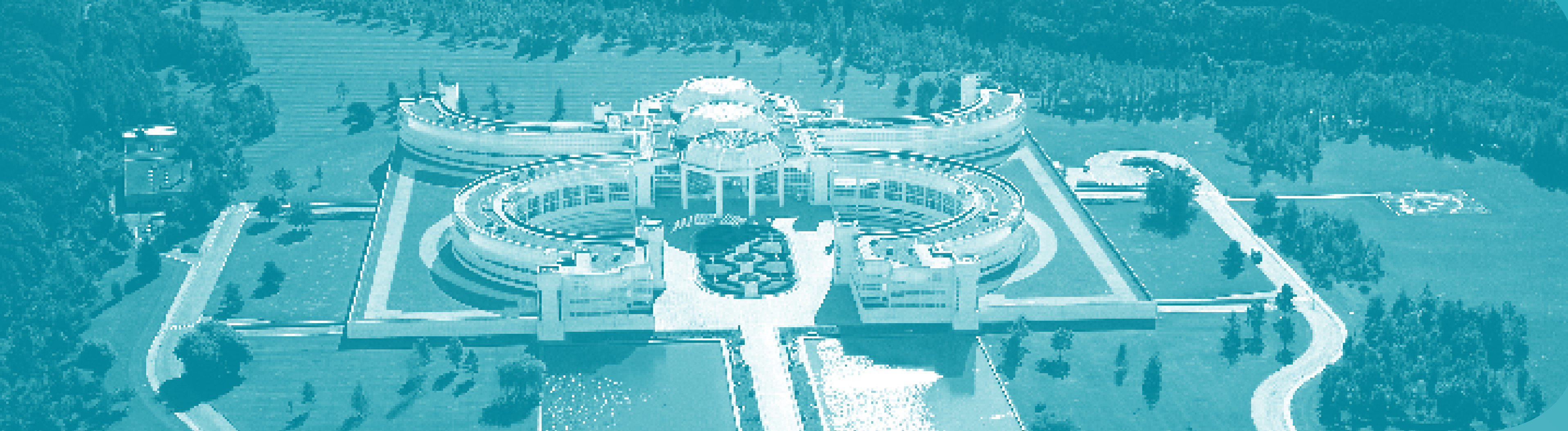
Website of the Compulsory Legal Announcements Bulletin (BALO): www.journal-officiel.gouv.fr

Website of the Office of the Clerk of the Paris Commercial Court: www.infogreffe.fr

Website of the Luxembourg Stock Exchange: www.bourse.lu

2.2. In printed form

All the documents mentioned in this annual report are available free of charge from the company.



Financial statements

BOUYGUES GROUP - CONSOLIDATED BALANCE SHEET

Assets (in millions of euros - IFRS)

	Note	12/2005 Net	12/2004 Net
Property, plant and equipment		4,615	4,629
Intangible assets		1,056	1,020
Goodwill		4,618	4,540
Investments in associates		497	486
Other non-current financial assets		283	237
Deferred tax assets and long-term tax credits	8	375	569
NON-CURRENT ASSETS	**4**	**11,444**	**11,481**
Inventories / Programmes / Broadcasting rights		1,804	1,691
Advances and down-payments on orders		357	369
Trade receivables		5,418	4,575
Tax asset (receivable)		71	45
Other receivables and prepaid expenses		1,684	2,464
Cash and equivalents		3,215	3,260
Financial instruments(1)		35	48
Other current financial assets		6	15
CURRENT ASSETS	**5**	**12,590**	**12,467**
Held-for-sale assets(2)	24	564	
TOTAL ASSETS	**17**	**24,598**	**23,948**

Liabilities and shareholders' equity (in millions of euros - IFRS)

	Note	12/2005	12/2004
Shareholders' equity			
- Share capital		337	333
- Share premium and reserves		3,417	2,771
- Translation reserve		44	(15)
- Current year's consolidated net profit		832	909
Shareholder's equity attributable to the Group		4,630	3,998
Minority interests		931	980
SHAREHOLDERS' EQUITY	**6**	**5,561**	**4,978**
Non-current debt	9	4,721	4,648
Non-current provisions	7	1,265	1,176
Deferred tax liabilities and non-current tax liabilities	8	89	158
TOTAL NON-CURRENT LIABILITIES		**6,075**	**5,982**
Advances and down payments received		677	679
Current debt	9	694	242
Current taxes payable		211	177
Trade payables		5,805	5,207
Current provisions	7	676	540
Other current liabilities, deferred income and similar		4,351	5,846
Overdrafts and short-term bank borrowings		178	252
Financial instruments(1)		9	41
Other current financial liabilities		11	4
CURRENT LIABILITIES	**11**	**12,612**	**12,988**
Liabilities on held-for-sale assets(2)	24	350	
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY	**17**	**24,598**	**23,948**
NET DEBT	**10**	**2,352**	**1,875**

(1) hedging of fair-value financial liabilities

(2) 2005: TPS is recorded as a held-for-sale asset

CONSOLIDATED INCOME STATEMENT

(in millions of euros - IFRS)

	Note	2005(1)	2004(2)
SALES(3)	**12**	**24,073**	**20,894**
Other revenues from operations		147	141
Purchases used in production		(10,190)	(8,993)
Personnel costs		(4,808)	(4,380)
External charges		(5,716)	(4,506)
Taxes other than income tax		(512)	(470)
Net depreciation and amortisation expense	17	(1,196)	(1,103)
Net charges to provisions and impairment losses	17	(457)	(283)
Changes in production and property development inventories		58	(13)
Other operating income and expenses		453	270
CURRENT OPERATING PROFIT	**13**	**1,852**	**1,557**
Non-current operating income and expenses	13 and 17	(104)	0
OPERATING PROFIT	**13 and 17**	**1,748**	**1,557**
COST OF NET DEBT	**14 and 17**	**(187)**	**(159)**
Other financial income and expenses		**(29)**	**(30)**
Income tax expense	15 and 17	(570)	(501)
Share of profits and losses of associates	4 and 17	62	37
NET PROFITS BEFORE RESULTS OF DISCONTINUED AND HELD-FOR-SALE OPERATIONS	**17**	**1,024**	**904**
Net profit of discontinued and held-for-sale operations	24 and 17	14	211
NET PROFIT	**17**	**1,038**	**1,115**
Attributable to the Group	17	832	909
Minority interests		192	206
Minority interests in share of profits / losses of associates		14	
BASIC EARNINGS PER SHARE (in euros)	**16**	**2.51**	**2.72**
DILUTED EARNINGS PER SHARE (in euros)	**16**	**2.42**	**2.68**
(3) Of which sales generated abroad		7,127	5,989

(1) 2005: excluding TPS, recorded in "Net profit of discontinued and held-for-sale operations".
(2) 2004: TPS and gain on disposal of Saur recorded in "Net profit of discontinued and held-for-sale operations" line, for comparison purposes

CONSOLIDATED CASH FLOW STATEMENT (in millions of euros - IFRS)

	Note	2005[1]	2004[1]
A - NET CASH GENERATED BY OPERATING ACTIVITIES			
Cash flow:			
Consolidated net profit (including minority interests)		1,038	1,115
Share of profit or loss from associates (equity-accounted)[2]		(30)	(13)
Elimination of dividends from non-consolidated companies		(5)	(6)
Charges to/write-backs of depreciation, amortisation and non-current provisions		1,336	1,306
Gains and losses on asset disposals		(54)	(353)
Miscellaneous charges		48	3
sub-total		**2,333**	**2,052**
Cost of net debt		187	162
Income tax expense for the year		570	500
Cash flow	17	3,090	2,714
Changes in working capital related to operating activities (including deferred taxes)		(511)	35
NET CASH GENERATED BY OPERATING ACTIVITIES		**2,579**	**2,749**
B - NET CASH USED IN INVESTING ACTIVITIES			
Purchase price of property, plant and equipment and intangible assets	17	(1,371)	(1,221)
Proceeds from disposals of property, plant and equipment and intangible assets	17	142	174
Net liabilities related to property, plant and equipment and intangible assets		38	107
sub-total		**(1,191)**	**(940)**
Purchase price of non-consolidated investments and other investments	17	(5)	(54)
Proceeds from disposals of non-consolidated companies and other investments	17	5	7
Net liabilities related to non-consolidated companies and other investments			
sub-total		**0**	**(47)**
Effects of changes in scope of consolidation			
Purchase price of investments in consolidated companies	17	(328)	(284)
Proceeds from disposals of investments in consolidated companies	17	78	1,153
Amount receivable from Saur disposal		1,031	(1,031)
Net liabilities related to investments in consolidated companies and effect of other changes in scope on cash		(60)	22
sub-total	22	**721**	**(140)**
Other cash used in investing activities (change in loans, dividends received from non consolidated companies)		(71)	(10)
NET CASH USED IN INVESTING ACTIVITIES		**(541)**	**(1,137)**

	Note	2005[1]	2004[1]
C - NET CASH USED IN FINANCING ACTIVITIES			
Capital increases during the year paid for by shareholders and minority interests (including exercise of stock options)		(18)	5
Net change in capital due to conversion of bonds into shares / cancellation or acquisition of treasury shares and other		(41)	(58)
Dividends paid during the year			
Dividends paid to shareholders of the parent company		(249)	(164)
Dividends paid to minority shareholders of consolidated companies		(91)	(94)
Exceptional payout made in 2005		(1,664)	1,664
Other reductions of share capital		(11)	(1,667)
Change in debt[4]		160	(270)
Cost of net debt[5]		(187)	(162)
Other cash used in financing activities		4	(93)
NET CASH USED IN FINANCING ACTIVITIES		**(2,097)**	**(839)**
D - EFFECT OF FOREIGN EXCHANGE FLUCTUATIONS		**25**	**(8)**
CHANGE IN NET CASH (A + B + C + D)		**(34)**	**765**
Cash position at 1 January	**5**	**3,008**	**2,250**
Net cash flows during the year		(34)	765
Other non-monetary flows		6	(7)
TPS held for sale: elimination from cash position at end of period		57	
Cash position at 31 December 2005[6]	**5**	**3,037**	**3,008**

(1) including cash flow from TPS:		
Net cash position at 1 January	*3*	*3*
- cash generated by operating activities	*34*	*48*
- cash used in investing activities	*(24)*	*(7)*
- cash used in financing activities	*(70)*	*(41)*
Cash position at 31 December 2005	*(57)*	*3*

(2) Elimination of share of profit or loss of associates + dividends received from associates

(3) Definition of change in working capital: Current assets - Current liabilities (including current provisions, excluding current financial liabilities and financial instruments (debt hedging) -> in financing)

(4) Definition of debt: non-current debt + current debt

(5) of which net interest paid: (220) (208)

(6) excluding cash position of TPS

CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY, YEAR ENDED 31 DECEMBER 2005 (in millions of euros - IFRS)

GROUP SHARE	Share capital	Share premium	Reserves related to capital	Retained earnings	Consolidated reserves and profit for the year	Treasury shares	Profits recognised directly in equity	Total Group
POSITION AT 1 JANUARY 2004	**333**	**1,977**	**712**	**43**	**1,940**		**9**	**5,014**
MOVEMENTS								
Capital and reserves transactions, net		(58)						**(58)**
Share-based payment							**7**	**7**
Dividends					**(1,828)**			**(1,828)**
Net profit for the year (attributable to the Group)					**909**			**909**
Financial instruments							**6**	**6**
Translation adjustments							**(15)**	**(15)**
Other changes					**(36)**	(1)		**(37)**
POSITION AT 31 DECEMBER 2004	**333**	**1,919**	**712**	**43**	**985**	**(1)**	**7**	**3,998**
Change in accounting methods								
ADJUSTED POSITION AT 31 DECEMBER 2004	**333**	**1,919**	**712**	**43**	**985**	**(1)**	**7**	**3,998**
MOVEMENTS								
Capital and reserves transactions, net	**4**	**(22)**	**98**	**233**	**(331)**			**(18)**
Share-based payment					**7**		**32**	**39**
Dividends					**(249)**			**(249)**
Net profit for the year (attributable to the Group)					**832**			**832**
Financial instruments							**(9)**	**(9)**
Translation adjustments							**59**[1]	**59**
Other changes						(4)	**(18)**	**(22)**
POSITION AT 31 DECEMBER 2005	**337**	**1,897**	**810**	**276**	**1,244**	**(5)**	**71**	**4,630**

MINORITY INTERESTS	Share capital	Share premium	Reserves related to capital	Retained earnings	Consolidated reserves and profit for the year		Profit recognised directly in equity	Total Minority interests
POSITION AT 1 JANUARY 2004					**890**			**890**
MOVEMENTS								
Share-based payment					**5**			**5**
Dividends					**(94)**			**(94)**
Net profit for the year (attributable to the Group)					**206**			**206**
Financial instruments								
Translation adjustments							**2**	**2**
Other changes					**(29)**			**(29)**
POSITION AT 31 DECEMBER 2004					**978**		**2**	**980**
Change in accounting methods								
ADJUSTED POSITION AT 31 DECEMBER 2004					**978**		**2**	**980**
MOVEMENTS								
Capital and reserves transactions, net								
Dividends					**(91)**			**(91)**
Minority interests in net profit for the year					**206**			**206**
Financial instruments								
Translation adjustments							**3**	**3**
Change in scope of consolidation					**(170)**			**(170)**
Other changes					**3**			**3**
POSITION AT 31 DECEMBER 2005					**926**		**5**	**931**
TOTAL SHAREHOLDERS' EQUITY	**337**	**1,897**	**810**	**276**	**2,170**	**(5)**	**76**	**5,561**

(1) including call options on Bouygues SA shares (37)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Contents

(Figures in millions of euros)

NOTE 1: SIGNIFICANT EVENTS OF THE YEAR

1.1. 1 January 2005: transition to IFRS

- Under European Council Regulation 1606 / 2002, adopted 19 July 2002, companies listed on a regulated market in a member state must prepare their consolidated financial statements for the first financial year ending on or after 1 January 2005 in accordance with the accounting standards issued by the International Accounting Standards Board (IASB), known as International Financial Reporting Standards (IFRS), as adopted by the European Union.
- A detailed analysis of the impact of IFRS transition on the balance sheet as at 1 January 2004, including the general principles applied in the first-time adoption of IFRS, was published in the "Legal and Financial Information" chapter of the 2004 Annual Report (page 89).
- A detailed analysis of the impact of IFRS transition (balance sheet, statement of changes in shareholders' equity, income statement and cash flow statement) as at 31 December 2004 has been published on the Bouygues website (Finance / Shareholders / IFRS standards).
- Decisions on which standards to apply in the 2005 financial statements reflect the Group's assumptions about which standards will be applicable as at 31 December 2005.
- In some specific areas, clarifications or interpretations are pending from the IASB or the International Financial Reporting Interpretations Committee (IFRIC);
  - Customer loyalty programmes (Bouygues Telecom)
  - Service concession agreements

  As regards service concession agreements, the Bouygues Group has equity interests in companies that hold Public / Private Partnership (PPP) contracts. The majority of these companies are accounted for by the equity method. The impact of accounting for these contracts in accordance with IFRS is not material. The new Portsmouth contract signed by Colas, a fully-consolidated company, is accounted for using the "financial asset" model, based on the draft IFRIC interpretation.
- No changes have been made to the previously-published IFRS consolidated financial statements as at 1 January 2004 (opening balance sheet) and 31 December 2004.

1.2. Scope of consolidation as at 31 December 2005

Main changes in the scope of consolidation during 2005:

983 companies consolidated: the increase of 57 since 31 December 2004 relates mainly to acquisitions made by Colas. An additional 6.5% interest in Bouygues Telecom has also been consolidated, in accordance with the promise to sell granted by BNP Paribas (see note 1.5 below).

1.3. Exceptional payout of 1.7 billion euros (7 January 2005)

The Shareholders' General Meeting of 7 October 2004 approved an exceptional payout of 5 euros per share (1.7 billion euros in total). The coupon was paid on 7 January 2005, and recognised in "Other non-financial liabilities" in the balance sheet as at 31 December 2004. The liability was removed from the balance sheet in 2005 on payment of the dividend.

1.4. Sale of Saur to PAI partners

The effects of the sale of Saur were included in the financial statements as at 31 December 2004. The amount of 1,031 million euros receivable from PAI partners, included in "Other receivables" as at that date, was received in February 2005.

Following the sale, the Bouygues Group held 15% of Saur's holding company, Novasaur (formerly Financière Gaillon).

In 2005, the interest of Bouygues in Novasaur was reduced from 15% to 9.9%. Bouygues no longer exercises significant influence over Novasaur, since the number of directors appointed by Bouygues is below the threshold set by the shareholder agreements.

1.5. Bouygues' interest in Bouygues Telecom

Bouygues has granted BNP Paribas a promise to buy the latter's 6.5% interest in the capital of Bouygues Telecom, exercisable at any time between 1 September 2005 and 31 July 2007 at a price of between 477 million euros and 495 million euros depending on the date of exercise.

At the same time, BNP Paribas granted Bouygues a promise to sell this interest to Bouygues, exercisable between 1 September 2007 and 30 September 2007 at a price of 497 million euros.

These agreements were recognised as follows in the financial statements as at 31 December 2005:

- Increase in long-term debt = (present value at 31 December 2005)	460
- Reduction in minority interests held by BNP Paribas =	(130)
- Increase in goodwill in the balance sheet =	320
- Unwinding of the discounting of the debt: 2005 income statement effect (over 6 months) =	(10)

1.6. Employee savings plan: recognition of share price discount

The Board of Directors of Bouygues, meeting on 21 June 2005, decided to establish a new leveraged investment fund for Group employees, who are entitled to a 20% discount on the share price based on the quoted market price on the 20 trading days preceding this decision.

The resulting employee benefit of 30 million euros was recognised as an expense in "Personnel costs" in the consolidated financial statements for the six months ended 30 June 2005.

1.7. 750 million euro bond issue

In July 2005, Bouygues carried out a bond issue of 750 million euros maturing July 2020. The issue was priced at 99.804% and pays interest at 4.25%.

This bond issue has extended the average maturity of the Group's debt.

1.8. Bouygues Telecom: fine for anti-competitive practices

On 1 December 2005, the French competition commission *(Conseil de la concurrence)* ordered Bouygues Telecom to pay a fine of 58 million euros for alleged collusion. Bouygues has lodged an appeal. The total fine levied on France's three mobile operators was 534 million euros.

This fine has been recognised as an expense in "Non-current operating income and expenses", with a negative impact on net profit attributable to the Bouygues Group of €52 million. For a breakdown of "Non-current operating income and expenses", which showed a total of 104 million euros in 2005, refer to Note 13.

1.9. Significant events and changes in scope of consolidation since 31 December 2005

- On 31 January 2006, Bouygues carried out a bond issue of 250 million euros, supplementary to the initial issue of 750 million euros (see Note 1.7), maturing 2020. The issue proceeds were received on 20 February 2006, and the issue was priced at 97.203% with an interest rate of 4.25%.
- TPS: on 6 January 2006, TF1 and M6, who jointly control the TPS satellite offering with interests of 66% and 34% respectively, signed an industrial agreement with Vivendi Universal, the parent company of the Canal+ pay TV group, intended to merge the French pay TV activities of Canal+ and TPS.

  The proposed agreement is subject to approval from the French competition authorities and to a ruling by the French audiovisual regulator, the CSA.

  For the years ended 31 December 2005 and 2004, income and expenses generated by TPS have been excluded from the operating activities shown in the income statement, in accordance with IFRS 5. Net income for the two periods relating to TPS is shown on the line "Net profit of discontinued or held-for-sale operations". Assets and liabilities relating to TPS at 31 December 2005 are also shown separately in the balance sheet under "Held-for-sale assets" and "Liabilities on held-for-sale assets".

NOTE 2: IFRS ACCOUNTING POLICIES

2.1. IFRS standards and optional treatments applied

As required by European Council Regulation 1606 / 2002, adopted 19 July 2002, the Bouygues Group has prepared its consolidated financial statements in accordance with the accounting standards issued by the International Accounting Standards Board (IASB) as adopted by the European Union.

These standards, collectively referred to as International Financial Reporting Standards (IFRS), also include International Accounting Standards (IAS) and interpretations issued by the Standing Interpretations Committee (SIC) and the International Financial Reporting Interpretations Committee (IFRIC).

The Bouygues Group has applied all standards and interpretations effective within the European Union as at 31 December 2005.

IAS 32 and IAS 39 on financial instruments have been applied with effect from 1 January 2004, ahead of the mandatory application date.

The accounting principles applied by the Bouygues Group are described below. In some cases, IFRS allow companies to choose between the benchmark treatment and an allowed alternative treatment. The main optional treatments applied by the Group are described below.

The Group has elected not to apply the following standards, amendments and interpretations ahead of the mandatory application date: IFRS 7 (Financial Instrument Disclosures), application date 1 January 2007; the amendment to IAS 19 (Employee Benefits), application date 1 January 2006; and certain changes to IAS 39 that are mandatorily applicable from 1 January 2006.

2.1.1. Basis of preparation

The financial statements are prepared using the historical cost convention, with the exception of certain items (in particular financial assets and financial liabilities) which are measured at fair value.

Preparing financial statements to comply with IFRS requires the use of estimates and assumptions which may have affected the amounts reported for assets, liabilities and contingent liabilities at the balance sheet date, and the amounts of income and expenses reported for the financial year.

These estimates and assumptions have been applied consistently on the basis of past experience and of various other factors regarded as reasonable, forming the basis of assessments of the valuations of assets and liabilities for accounting purposes. Actual results may differ materially from these estimates if different assumptions or conditions apply.

Where no standard or interpretation applies to a specific transaction, Group management has exercised its judgement to define and apply accounting policies that will provide relevant and reliable financial information, such that the financial statements:

- give a true and fair view of the financial position, financial performance and cash flows of the Group;
- reflect the economic reality of the underlying transactions;
- are impartial, prudent, and complete in all material respects.

2.1.2 Optional accounting treatments on first-time adoption of IFRS at 1 January 2004 (IFRS 1)

The transition from French generally accepted accounting principles (French GAAP) to IFRS was effected in accordance with IFRS 1, "First-Time Adoption of International Financial Reporting Standards", which requires IFRS to be applied retrospectively from 1 January 2004.

The effects of the restatements required to comply with IFRS were recognised in consolidated shareholders' equity as at 1 January 2004.

Except as indicated below, the Bouygues Group has not used any other optional treatments or exemptions to the retrospective application of IFRS from the transition date allowed under IFRS 1. This applies in particular to:

- business combinations,
- fair value or revaluation used as deemed cost.

■ **Property, plant and equipment and intangible assets (IAS 16 and IAS 38)**

The Bouygues Group elected to use the depreciated historical cost model for the subsequent measurement of property, plant and equipment after initial recognition, and has applied this treatment retrospectively to all such assets.

The value of property, plant and equipment recognised in the IFRS balance sheet at 1 January 2004 took account of estimated terminal residual values, and of depreciation periods specific to each component of the asset (plant, equipment, buildings, etc). The difference between the carrying amount as determined under French GAAP and the new carrying amount determined under IFRS was taken to consolidated shareholders' equity.

Some items were reclassified in order to comply with IFRS definitions and disclosure requirements.

Business combinations

Business combinations carried out prior to 1 January 2004 (date of first-time adoption of IFRS) were not restated retrospectively in accordance with IFRS 3. Goodwill and fair value adjustments to assets and liabilities existing at 1 January 2004 were included in the IFRS opening balance sheet at their original amount, net of accumulated depreciation, amortisation and impairment losses to 31 December 2003.

Goodwill, previously amortised on a straight-line basis, is no longer amortised under IFRS.

Market shares previously recognised as separate intangible assets as a result of fair value adjustments in connection with business combinations were reclassified as goodwill as at 1 January 2004. Under French GAAP, market shares were subject to impairment tests using methods consistent with IFRS, involving the use of cash generating units (CGUs). First-time adoption of IFRS had no impact on the value of these assets as at 31 December 2004 relative to the French GAAP valuation.

Translation reserve

The existing French GAAP translation reserve was deemed to be zero as at 1 January 2004. The reserve as at that date was transferred to consolidated reserves as allowed under IFRS 1, with no impact on total consolidated shareholders' equity.

Actuarial gains and losses

As at 1 January 2004, the actuarial gains and losses arising on the Group's obligations in respect of lump-sum retirement benefits were recognised as a liability in non-current provisions and charged to consolidated shareholders' equity (cumulative gains and losses under the corridor method deemed to be zero). Actuarial gains and losses arising subsequent to 1 January 2004 continue to be recognised using the corridor method.

Share-based payment (IFRS 2)

The Group applied IFRS 2 from 1 January 2004 for all plans awarded after 7 November 2002 and vesting on or after 1 January 2005.

Off-plan property sales

Adoption of IFRS has changed the presentation of off-plan property sales. Under French GAAP, the entire amount of the sale was recognised in trade receivables on signature by the customer of the notarised deed of sale, with a matching liability recognised in deferred income. The sale was then recognised in the income statement based on the percentage of completion of the property development project.

Under IFRS, no deferred income is recognised. Instead, trade receivables and sales are recognised based on the percentage of completion of the property development project.

Financial instruments (IAS 32 and IAS 39)

The Group has elected to recognise the effects of IAS 39 on financial instruments as at 1 January 2004, ahead of the mandatory application date. These effects relate mainly to hedging instruments (interest rate risk and currency risk). The amount involved as of 1 January 2004 was not material.

2.2. Consolidation methods and treatment of subsidiaries, associates and other investments

- Companies over which Bouygues exercises control are consolidated using the full consolidation method.

Exclusive control over TF1:

- Bouygues holds 42.89% of the capital and 42.94% of the voting rights of TF1, and according to a ruling by the *Conseil de la Bourse des Valeurs* of 11 February 1994 is regarded as acting in concert with Société Générale, a fellow-shareholder of TF1, under the terms of a shareholders' agreement[1].
- Exclusive control by Bouygues over TF1 is demonstrated by the fact that:
  - Bouygues has consistently and regularly held a substantial majority of the voting rights exercised at TF1 shareholders' meetings;
  - no other shareholder directly or indirectly controls a higher share of voting rights than Bouygues.

Bouygues has clearly had exclusive power to determine decisions at TF1 shareholders' meetings during at least two consecutive financial years (article L233-16 II of the Commercial Code).

Other factors indicating the existence of exclusive control include:

- the predominance of Bouygues among the group of shareholders acting in concert;
- the large number of seats on the TF1 Board of Directors allocated to Bouygues;
- the role of Bouygues in appointing key executives of TF1.

All these factors clearly establish that Bouygues exercises exclusive control over TF1.

The relationship between Bouygues and TF1 also meets the criteria stipulated in articles L233-3 I & II of the Commercial Code relating to de facto control by one company over another.

- Companies under the joint control of more than one shareholder are consolidated by the proportionate consolidation method, based on the percentage of control held.
- Companies over which Bouygues exercises significant influence are consolidated by the equity method.

  Cofiroute: although less than 20% owned (16.7%), Cofiroute is consolidated using the equity method, as Bouygues exercises significant influence through its seats on the Board of Directors.
- In accordance with IAS 39 on financial instruments, investments in non-consolidated companies are recognised at fair value and are subject to impairment tests.

Changes in scope of consolidation:

	2005	2004
Fully consolidated	760	726
Proportionately consolidated	197	169
Equity method	26	31
	983	**926**

The main changes during 2005 are described in "Significant Events".

2.3. Business combinations

With effect from 1 January 2004, the acquisition cost of a business combination (including transaction costs) is allocated to the identifiable assets and liabilities of the acquiree, measured at fair value at the acquisition date. These identifiable assets and liabilities are presented in the balance sheet using the full fair value method in accordance with IFRS 3. This method involves remeasuring the assets and liabilities acquired at fair value in full (including minority interests), rather than remeasuring just the percentage interest acquired.

Fair value is the amount for which an asset or cash generating unit could be sold between knowledgeable, willing parties in an arm's length transaction. Goodwill represents the excess of acquisition cost over the acquirer's interest in the fair value of the acquiree's identifiable assets, liabilities and contingent liabilities that can be reliably measured at the acquisition date; it is allocated to the cash generating unit (which within the Bouygues Group equates to the business segment) benefiting from the business combination.

(1) *In January 2006, Société Générale sold its interest in TF1, meaning that Bouygues and Société Générale were no longer acting in concert (AMF sale reference 206C0188, dated 30 January 2006). This change does not affect the exclusive control exercised by Bouygues over TF1.*

The main initial allocations of acquisition cost to identifiable assets and liabilities may be adjusted within the twelve months following the acquisition date, after which they may no longer be adjusted.

Goodwill recognised prior to 1 January 2004, which Bouygues elected not to restate under the option allowed by IFRS 1, continues to be measured using the partial fair value method (IFRS 3). This method involves restricting the fair value remeasurement of identifiable items to the percentage interest acquired. Minority interests are measured at the carrying amount of such items as shown in the balance sheet of the acquired entity.

Negative goodwill is taken to the income statement in the period in which the acquisition is made.

Subsequently, goodwill is carried at cost net of any impairment losses identified using the methods described under "Subsequent remeasurement of non-current assets" below, in accordance with IAS 36. Impairment losses are charged to the income statement as an operating item.

2.4. Foreign currency translation

2.4.1. Transactions denominated in foreign currencies

Transactions denominated in foreign currencies are translated into euros at the average exchange rate on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the closing exchange rate. Translation differences are recognised as income or expenses in the income statement. Non-monetary assets and liabilities denominated in foreign currencies and accounted for at historical cost are translated using the exchange rate on the date of the transaction.

2.4.2. Financial statements of foreign entities

All assets and liabilities of consolidated entities with a functional currency other than the euro are translated at the closing exchange rate. Income and expenses are translated at the average exchange rate for the period. Translation differences arising from this treatment, and arising from the retranslation of a subsidiary's opening shareholders' equity at the closing exchange rate, are taken to the translation reserve, which is a component of "Share premium and reserves" in shareholders' equity. Translation differences arising on the net investment in foreign subsidiaries and associates are recognised in shareholders' equity.

2.5. Deferred taxation

Deferred taxation is recognised on differences between the carrying amount and tax base of assets or liabilities, and arises as a result of:

- Temporary differences between the carrying amount and tax base of assets or liabilities, which may be:
  - items generating a tax liability in the future (deferred tax liabilities), arising mainly from income that is liable to tax in future periods; or
  - items deductible from taxable profits in the future (deferred tax assets), mainly provisions that are temporarily non-deductible for tax purposes.
- Tax losses available for carry-forward (deferred tax assets), provided that there is a genuine probability of recovery in future periods.

Deferred taxes are measured using known applicable tax rates at the balance sheet date. In the case of French entities, deferred tax assets have been adjusted to reflect the effect of changes in tax legislation and of new tax rates.

Deferred taxes are not discounted.

Deferred tax assets are included in non-current assets.

2.6. Non-current assets

2.6.1. Property, plant and equipment

Property, plant and equipment is measured at acquisition cost net of accumulated depreciation and impairment. Depreciation is recognised on a straight line basis over the estimated useful life of the asset.

Useful lives by main asset category and business segment:

	CONSTRUCTION	MEDIA	TELECOMS	
Mineral deposits (quarries)	(1)			
Non-operating buildings	10 to 30 years	25 to 50 years	-	
Industrial buildings	depends on type	-	20 years	
Plant, equipment and tooling	3 to 10 years	3 to 7 years	3 to 10 years	(2)
Other property, plant and equipment (vehicles and office equipment)	3 to 10 years	2 to 10 years		(2)

In accordance with IAS 16, when an item of property, plant and equipment consists of components with different useful lives, each component is accounted for and depreciated as a separate item, in terms of the estimated terminal residual values and depreciation calculations.
Gains and losses on disposal represent the difference between the sale proceeds and the carrying amount, and are recognised in the income statement under "Non-current operating income and expense".
(1) depreciated on the basis of the rate of depletion, up to a maximum of 40 years
(2) depending on the type of asset

Depreciation periods are reviewed annually, and are adjusted if expectations differ from previous estimates. The resulting changes in accounting estimate are accounted for prospectively.

Leases:

Items of property, plant and equipment held under leases whereby the Bouygues Group retains substantially all the risks and rewards of ownership are recognised as assets in the balance sheet. Leases are classified as finance leases or operating leases in accordance with the criteria specified in IAS 17. Prior to the first-time adoption of IFRS, leased assets were only recognised in the balance sheet if the lease qualified as a *crédit-bail* transaction under French GAAP.

Assets held under finance leases are recognised in the balance sheet in "Property, plant and equipment" at the lower of fair value or the present value of the minimum lease payments, less accumulated depreciation and impairment losses. They are depreciated over their estimated useful lives. The lease obligation is recognised as a liability under "Debt" in the balance sheet.

Obligations under operating leases are disclosed in off balance sheet commitments.

2.6.2. Intangible assets

IAS 38 defines an intangible asset as an identifiable non-monetary asset without physical substance, which may be:

- separable, i.e. capable of being independently sold, transferred, licensed, rented or exchanged; or
- derived from contractual or other legal rights, whether separable or not.

Intangible assets with finite useful lives are depreciable. Intangible assets with indefinite useful lives are not depreciable, but are subject to an impairment test at each balance sheet date.

They include:

• **Development expenses:**

- in accordance with IFRS, incorporation and research expenses are expensed as incurred.
- development expenses are capitalised if the relevant criteria are met, i.e. if they are expected to generate future economic benefits and their cost can be reliably measured.

• **Concessions, patents and similar rights:**

These include the following assets held by Bouygues Telecom:

Type of asset	Amortisation method	Period
GSM frequency costs	straight line	12 years
UMTS licence	straight line	(1)
IT system software and developments	straight line	4 years
Office software	straight line	4 years

(1) The amortisation period for the UMTS licence will match its useful life. Since the high-speed network opened on 26 May 2005, Bouygues Telecom has been amortising its UMTS licence over a period of 17.5 years.

• **UMTS licence:**

The fee for the UMTS licence, awarded for a 20-year period, comprises:

- a fixed component of €619.2 million, recognised as an intangible asset on the date the licence was awarded (12 December 2002);
- a variable component, calculated at 1% of sales generated by the operation of the third-generation mobile network, which is recognised in the income statement for the period with effect from the opening of the UMTS network.

2. 6. 3. Other intangible assets

Other intangible assets recognised by the Group include leasehold rights and broadcasting rights (TF1).

Intangible assets with no legal protection have been reclassified as goodwill under IFRS.

TF1 broadcasting rights:

This item includes shares in films and programmes co-produced by TF1 Films Production, TF1-Video, Glem and Téléma; distribution and trading rights owned by TF1 International TCM DA, TF1 Entreprises and CIBY DA; and music rights owned by Une Musique and Baxter.

Broadcasting rights are accounted for at historical cost. Dates of initial recognition and amortisation methods are as follows:

Initial recognition	Amortisation method		
	Co-production shares	Broadcasting rights Distribution / Trading	Music rights
End of shooting	in line with revenues		
Censors' certificate	3 years straight line		
Signature of contract		3 years straight line, or in line with revenues (5 years for trading)	2 years 75% in year 1 25% in year 2

For films co-produced by TF1 Films Production and Téléma, the Group uses whichever method enables the film to be amortised as quickly as possible. Consequently, the method used may differ from film to film.

In accordance with IAS 36, an impairment loss is recognised on a line by line basis where estimated future revenues do not cover the carrying amount of the asset.

2.6.4. Subsequent remeasurement of non-current assets

The carrying amount of non-current assets is reviewed in accordance with Group accounting policies on an annual basis, or more frequently if internal or external events or circumstances indicate that an asset may be impaired. In particular, the carrying amount of intangible assets (other than broadcasting rights, which are measured using the policies described in 3.2.3.1) and goodwill is compared with their recoverable amount.

In determining value in use, intangible assets to which independent cash flows cannot be directly allocated are grouped within the cash-generating units (CGU) to which they belong, or within the appropriate group of CGUs representing the lowest level at which management monitors return on investment (business segment level in the case of the Bouygues Group). The value in use of CGUs is measured using the discounted cash flow (DCF) method, applying the following principles:

- the pre-tax cash flows used are those derived from the medium-term business plan prepared by the management of the business segment as part of the Group's management cycle;
- the discount rate is determined by adjusting the segment's weighted average cost of capital to arrive at a pre-tax rate;
- the terminal value is calculated by aggregating the discounted cash flows to infinity, based on normative cash flows and a perpetual growth rate that is consistent with the growth potential of the markets in which the business segment operates and with its competitive position in those markets.

The recoverable amount of the CGU as determined above is then compared with the carrying amount in the consolidated balance sheet of the non-current assets (including goodwill) attributed to the CGU. If this carrying amount is greater than the recoverable amount of the CGU, an impairment loss is recognised, this loss being allocated in the first instance to any goodwill recognised in the balance sheet.

2.6.5. Non-current financial assets

In addition to deferred tax assets (treated as non-current), other non-current financial assets include loans and receivables (including amounts due from non-consolidated companies), deposits and caution money, and investments in non-consolidated companies over which the Bouygues Group exercises neither control nor significant influence.

Investments in non-consolidated companies are measured at fair value, with changes in fair value taken to shareholders' equity.

Fair value is the market price for listed investments, and value in use for unlisted investments. Value in use is determined using the most appropriate criteria for each individual investment.

If there is objective evidence that an investment is impaired, the accumulated losses taken to shareholders' equity are recognised in the income statement.

Advances to non-consolidated companies, and other loans and receivables, are accounted for at amortised cost, determined using the effective interest method.

In the case of variable-rate loans and receivables, cash flows are periodically re-estimated to reflect changes in market interest rates, resulting in an adjustment to the effective interest rate and hence to the valuation of the loan or receivable.

Loans and receivables are reviewed for objective evidence of impairment. An impairment loss is recognised if the carrying amount of a financial asset is greater than the estimated recoverable amount as determined by impairment testing. Impairment losses are recognised in the income statement.

2.7. Current assets

2.7.1. Inventories

Inventories are stated at the lower of cost (first in first out or weighted average cost, depending on the nature of the business) or market price.

Where the realisable value of inventory is lower than cost, a provision for impairment is recognised.

2.7.2. Programmes and broadcasting rights (TF1)

Programmes and broadcasting rights include in-house productions made by TF1 but not yet broadcast; external productions, comprising broadcasting rights acquired by TF1; and co-productions. They are measured at total production cost (including a portion of indirect production costs), or at acquisition cost in the case of co-productions.

Consumption of programmes depends on the type of programme and the number of possible transmissions. Most programmes are 100% amortised on first transmission, or when it becomes evident that the programme will not be broadcast.

Sports transmission rights:

Acquisitions of sports transmission rights for which TF1 has placed an irrevocable order prior to the balance sheet date are priced at the contractual amount less any sums already paid at that date.

A programme is treated as ready for broadcast and recognised in inventory under "Programmes and broadcasting rights" when the following two conditions are met: technical acceptance (for in-house and external productions), and opening of rights (for external productions).

External productions that have not been broadcast, and the rights to which have expired, are expensed as a component of current operating profit.

The value of programmes and broadcasting rights is measured as follows:

- in-house production: at overall production cost (direct costs plus a portion of indirect production costs);
- broadcasting rights and co-productions: at purchase cost, less consumption for the year calculated at each balance sheet date.

2.7.3. Trade receivables

Trade receivables are carried at face value, net of impairment recorded to reflect the probability of recovery. These receivables are usually short-term and non interest-bearing. They are measured at the original invoice amount, unless application of an implied interest rate would have a material effect.

In line with the percentage of completion method of accounting for long-term contracts, trade receivables include:

- statements issued as works are executed or services provided, and accepted by the project owner;
- unbilled receivables, arising where works are entitled to acceptance but billing or acceptance by the project owner has been delayed.

2.7.4. Other current receivables and prepaid expenses

Other receivables are carried at face value, net of impairment recorded to reflect the probability of recovery.

2.8. Financial instruments

Some group entities use hedging instruments to limit the impact on the income statement of fluctuations in exchange rates and interest rates. The Group's policy on the use of financial instruments is described below.

2.8.1. Risks to which the Group is exposed

■ Currency risk

In general, the Bouygues Group has little exposure to currency risk in routine commercial transactions. Wherever possible, expenses relating to a contract are incurred in the same currency as that in which the contract is billed. This applies to most projects executed outside France, on which local-currency expenses (sub-contracting and supplies) represent a much higher proportion than euro-denominated expenses. In addition, the Group pays particular attention to risks relating to assets denominated in non-convertible currencies, and to country risk generally.

■ Interest rate risk

The Group's financial income and expenses have low sensitivity to interest rate risk. The bulk of debt is in the form of fixed-rate bond issues, and a range of hedging instruments is used to convert variable-rate debt into fixed-rate debt.

On average over the year, the amount of variable-rate debt in the balance sheet is less than the amount of surplus cash invested at variable rates.

The consolidated income statement would be only marginally affected by fluctuations in euro interest rates, or by a divergence in interest rate trends between the euro and other major currencies.

2.8.2. Principles applied to all hedging instruments

The only instruments used for hedging purposes are forward currency purchases and sales, currency swaps and purchases of currency options for currency risk hedging purposes; and interest rate swaps, future rate agreements, and purchases of caps and tunnels for interest rate risk hedging purposes.

These instruments:

- are used solely for hedging purposes;
- are contracted solely with high-quality French and foreign banks;
- carry no liquidity risk in the event of a downturn.

Specific reports are prepared for those responsible for the management and supervision of the relevant Group companies, describing the use of hedging instruments, the selection of counterparties with whom they are contracted, and more generally the management of exposure to currency risk and interest rate risk.

2.8.3. Hedging rules

■ Currency risk

Group policy is to hedge systematically all residual currency exposure relating to commercial transactions. If the future cash flow is certain, the currency risk is hedged by buying or selling currency forward, or by means of currency swaps. For some large contracts, options may be taken out for hedging purposes before the awarding of the contract has been confirmed.

In general, equity investments in foreign companies are hedged by a debt of a similar amount in the same currency, recorded in the books of the company that owns the investment.

In the interests of efficiency, the currency positions of some Group entities may be managed centrally, which in some cases may result in the offset of matching positions.

■ Interest rate risk

Group policy is for each sub-group to hedge some or all of its financial assets and liabilities, where these are foreseeable and recurring.

In practice, this applies to capital-intensive businesses (telecoms and media). These entities control their future interest charges by fixing their cost of debt using swaps and future rate agreements, or by limiting it through the use of caps, over a period equivalent to that of the financial liabilities to be hedged.

As with currency risk, the interest rate positions of some Group entities may, in the interests of efficiency, be managed centrally and partially offset.

2.8.4. Accounting methods

In general, the financial instruments used by the Group qualify for hedge accounting, which means that the hedging relationship is documented in accordance with the requirements of IAS 39. Two types of accounting treatment are used:

- Fair value hedges: changes in the fair value of the hedging instrument and changes in the fair value of the hedged item are recognised symmetrically in the income statement.
- Cash flow hedges: changes in the fair value of the hedging instrument are recognised in the income statement for the ineffective portion of the hedging relationship, and in shareholders' equity (until the hedge is closed out) for the effective portion.

In a few cases (involving small notional amounts and a short hedging period), financial instruments are deliberately excluded from hedge accounting in order to avoid excessive administrative processing. In these cases, changes in the fair value of the financial instrument are taken directly to the income statement.

2.9. Consolidated shareholders' equity

Treasury shares are deducted from consolidated shareholders' equity, in accordance with IFRS (including the acquisition cost of call options used to cover the 2005 stock option plan).

If Group subsidiaries hold their own shares, an additional percentage interest is recognised at Group level.

■ Translation reserve

This reserve was deemed to be zero at 1 January 2004, and the balance transferred to "Retained earnings". The translation reserve shown in the balance sheet represents translation differences arising since that date.

2.10. Non-current liabilities

2.10.1. Non-current debt (portion due after more than one year)

With the exception of derivative instruments accounted for as financial liabilities measured at fair value, all other borrowings and financial liabilities are recognised initially at fair value and subsequently at amortised cost, measured using the effective interest method.

Transaction costs directly attributable to the acquisition or issuance of a financial liability are offset against that liability, and amortised over the life of the liability using the effective interest method.

The effective interest rate is the rate that exactly discounts estimated future cash payments to maturity (or to the next market rate repricing date) to the net carrying amount of the liability. The calculation takes account of all fees and points paid or received by the parties to the contract.

The portion of long-term debt due within less than one year is included in current liabilities.

2.10.2. Non-current provisions

Under IAS 37, "Provisions, Contingent Liabilities and Contingent Assets", a provision is recorded where the Group has an obligation to a third party at the balance sheet date resulting from a past event, the settlement of which is expected to result in a outflow from the group of resources embodying economic benefits.

The amount recognised as a provision represents the Group's estimate of the outflow of resources that will be needed to settle the obligation.

Non-current provisions are not usually associated with the normal business cycle of each segment (compare the definition of current provisions below).

Non-current provisions mainly comprise:

- Provisions established to cover the uninsured portion of risks under 2-year and 10-year construction contract guarantees. These provisions are recognised in line with recognition of contract revenues, based on statistical data reflecting actual experience over the long term.
- Provisions related to notified tax reassessments and fines levied by the competition authorities.
- Provisions for litigation, claims and foreseeable risks relating to the Group's operations, especially foreign operations, including permanent withdrawal from projects and sundry risks and liabilities.
- Provisions for site remediation costs.
- Employee benefits:
  - Provisions for long-service awards.
  - Provisions for obligations to employees in respect of lump-sum benefits payable on retirement.

    This provision is calculated using the projected unit credit method based on final salary, and on the basis of the collective agreement for each business segment. The calculation takes account of:

    ➤ status, age and length of service for each employee category;

    ➤ employee turnover, calculated on the basis of the average number of leavers by business segment, age bracket and employee category;

    ➤ average salary and wages including bonuses and benefits in kind, uplifted by a coefficient to reflect the applicable percentage of employer's social security charges;

    ➤ a final salary inflation rate;

    ➤ a discount rate applied to the obligation over the projected period to the retirement date;

    ➤ estimated life expectancy, based on mortality tables.

    The Group does not recognise movements in this obligation arising from changes in actuarial assumptions unless they represent more than plus or minus 10% of the retirement benefit obligation (the corridor method). Any actuarial gains and losses recognised are amortised through the income statement over the average remaining working lives of the employees concerned; in line with the treatment elected by the Group on transition to IFRS, this method has been applied prospectively from 1 January 2004.

  - Provisions for pension obligations (depending on the country and terms of the pension plan).

The actuarial assumptions used to measure the present value of the pension obligation and the pension cost for the period in respect of defined-benefit plans represent the best estimate of the variables that will determine the final cost of the benefits. These assumptions are mutually consistent, and the discount rate was determined by reference to the expected market rate at the balance sheet date, taking into account the estimated timing of benefit payments (see Note 20).

2.11. Current liabilities

2.11.1 Advances and down-payments on orders

This item comprises advances and down-payments received from customers on start of works contracts.

2.11.2. Current provisions

- Provisions relating to the normal business cycle of each segment. These mainly comprise:
  - Provisions for project and contract risks, joint ventures, etc.
  - Provisions for restructuring
  - Provision for customer loyalty programmes (Bouygues Telecom), etc.
- Provisions for losses to completion on contracts. These relate to contracts in progress, and take account of claims accepted by the customer. They are measured on a contract by contract basis, with no netting between contracts.

2.11.3. Trade payables and other current liabilities

Because of the short-term nature of these liabilities, they are shown in the consolidated financial statements at a reasonable estimate of market value.

2.11.4. Deferred income and similar

See the section "IFRS standards and optional treatments applied" for the specific treatment applied to off-plan property sales.

2.12. Income statement

As allowed under IAS 1, "Presentation of Financial Statements", the Bouygues Group presents an income statement that classifies expenses by nature, in the format specified in recommendation 2004-R-02 issued by the French national accounting standard-setter, the *Conseil National de la Comptabilité* (CNC), on 27 October 2004. An income statement classifying expenses by function is shown in Note 17 to the financial statements.

2.12.1. Definition of operating revenues

Revenues from the Group's operations are recognised when:

- it is probable that the future economic benefits of the transaction will flow to the Group;
- the amount of revenue can be reliably measured;
- at the transaction date, it is probable that the amount of the sale will be recovered.

■ Bouygues Telecom:

Bouygues Telecom generates revenue from services and handset sales.

• Services

Fixed-price packages and commercial services are invoiced one month in advance, and the corresponding revenue is recognised on a straight-line basis over the service period.

Revenues from call charges other than fixed-price packages, roaming fees and interconnection fees are recognised as the service is used.

Service discounts offered to new customers on subscription to fixed-price packages that are contingent upon the customer committing to retain their subscription for a specified period are charged to income over the minimum commitment period.

Services carried out on behalf of content providers in relation to SMS+ services, special numbers and i-mode services are not included in income and expenses for the period. Only the margin on such services is recognised in sales.

• **Handset sales**

Handset sales are recognised on the sale of the handset to the distributor or retailer, but the margin on the sale is eliminated until the line is activated by the consumer.

• **Distributor / retailer commission**

All commission payable to distributors and retailers is recognised as an expense.

2.12.2. Accounting for long-term contracts

■ **Construction activities**

In all the Group's construction activities, long-term contracts are accounted for using the percentage of completion method. The revenue recognised equals the latest estimate of the total selling price of the contract multiplied by the actual stage of completion determined by reference to the physical state of progress of the construction work.

If a contract is expected to generate a loss on completion, a provision for losses to completion is recognised as a current provision in the balance sheet. The loss is provided for in full as soon as it can be reliably measured, irrespective of the stage of completion.

■ **Property development**

The accounting treatment applied to property development activities is as follows:

Property development revenues are recognised using the percentage of completion method once the following conditions have been met:

- building permit with no appeal;
- signature of notarised deed of sale or development contract;
- construction contract signed (order given to start works).

The percentage of completion represents costs incurred to date as a proportion of the total estimated costs to completion.

Property development project finishing costs are recognised on a percentage of completion basis.

All interest charges associated with ongoing or completed property development projects are expensed as incurred.

2.12.3. Profits / losses from joint operations

These represent the Group's share of profits or losses from non-consolidated companies involved in the operation of production sites for road-building and asphalt products, and are included in operating profit.

2.12.4. Share-based payment

In accordance with IFRS 2, stock subscription options granted to corporate officers or employees of Bouygues or other Group companies (TF1) are accounted for in the financial statements as follows: the fair value of the options granted (corresponding to the fair value of the services rendered by the employees as consideration for the options) is recognised as an employee benefit under "Personnel costs" in the income statement, with the matching entry credited to shareholders' equity.

The amount of the employee benefit is measured at the grant date of the option using the Black & Scholes model, and is charged to the income statement over the vesting period of the rights. In accordance with IFRS 2, this treatment applies only to plans awarded after 7 November 2002.

2.13. Cash flow statement

The cash flow statement is presented in accordance with IAS 7 and CNC recommendation 2004-R-02.

This statement explains changes in the Group's net cash position, which is defined as the net total of the following balance sheet items:

- cash and equivalents;
- overdrafts and short-term bank borrowings.

2.14. Off balance sheet commitments

A summary of contractual obligations and commercial commitments is provided in Note 19.

2.15. Financial indicators

Definitions of key financial indicators:

2.15.1. EBITDA

Current operating profit excluding net depreciation and amortisation expense and changes in provisions.

2.15.2. Free cash flow

Cash flow (from operations, before changes in working capital) less net capital expenditure for the period.

2.15.3. Net debt

This represents the aggregate of:

- cash and equivalents;
- overdrafts and short-term bank borrowings;
- non-current and current debt;
- financial instruments (used to hedge financial liabilities measured at fair value).

2.16. Other information

Comparability of the IFRS financial statements:

- The accounting policies applied under IFRS as at 31 December 2004 are the same as those applied as at 31 December 2005, and consequently there is no impairment of the comparability of balance sheet, income statement and cash flow statement items between accounting periods.
- In accordance with IFRS 5, the TF1 subsidiary TPS, which is in process of divestment, is shown on the separate lines used to report held-for-sale assets and operations in the consolidated balance sheet as at 31 December 2005 and the income statement for the year then ended (see Note 24).
- The impact of changes in the scope of consolidation during 2005 does not affect the comparability of the financial statements as presented.

NOTE 3: IFRS TRANSITION AT 1 JANUARY AND 31 DECEMBER 2004: RECONCILIATION OF FRENCH GAAP / IFRS CONSOLIDATED FINANCIAL STATEMENTS

3.1. 1 January 2004: French GAAP / IFRS comparative balance sheet (as published in the 2004 Annual Report, pages 90 & 91)

For optional accounting treatments elected under IFRS, see Note 2, "IFRS standards and optional treatments applied", and specifically Note 2.1.1, "Optional accounting treatments on first-time adoption of IFRS at 1 January 2004 (IFRS 1)".

Balance sheet (IFRS classifications) in millions of euros	1 January 2004		
	French GAAP	**IFRS**	**Difference**
Assets			
Property, plant and equipment	4,532	5,020	488
Intangible assets	6,409	1,088	(5,321)
Goodwill	264	5,272	5,008
Other non-current assets	778	1,558	780
Current financial assets	2,616	2,598	(18)
Other current assets	10,518(1)	8,683	(1,835)
Total	**25,117**	**24,219**	**(898)**
Liabilities & shareholders' equity			
Shareholders' equity attributable to the Group	5,058(1)	5,014	(44)
Minority interests	1,046(1)	890	(156)
Total shareholders' equity	**6,104**	**5,904**	**(200)**
Non-current provisions and other non-current liabilities	1 896	1,516	(380)
Non-current debt	5,160	4,233	(927)
Other current liabilities	11,715(1)	11,100	(615)
Current financial liabilities	242	1,466	1,224
Total	**25,117**	**24,219**	**(898)**
Net debt	**2,786**	**3,101**	**315**
as % of shareholders' equity	**46%**	**53%**	

(1) French GAAP as at 1 January 2004, after restatement for the change of method relating to the customer loyalty programme provision (Bouygues Telecom) recognised at end 2004 under French GAAP and retained under IFRS.

1 January 2004: comments on the principal differences between French GAAP and IFRS

ASSETS		in millions of euros
Property, plant and equipment		**488**
Capitalisation of plant and equipment held under finance leases	124	
Net reclassifications from other balance sheet items (primarily telecoms software)	297	
Net restatement of depreciation periods (buildings, telecoms equipment, etc.)	78	
Other items	(11)	
Intangible assets		**(5,321)**
Reclassification of fair value adjustments as goodwill (market shares, etc.)	(5,027)	
Other reclassifications to property, plant and equipment or other balance sheet items (primarily telecoms software)	(239)	
Amortisation of intangible assets and other items	(55)	
Goodwill		**5,008**
Reclassification of intangible assets (fair value adjustments previously recognised as market shares of acquirees)	5,027	
Other reclassifications	(19)	
Other non-current assets		**780**
Reclassification of deferred tax assets to "Other current assets"	706	
Net additional deferred tax effect from IFRS adjustments and other items	74	
Current financial assets		**(18)**
Net restatement of securitisation programmes (Bouygues Telecom) and remeasurement of hedging instruments		
Other current assets		**(1,835)**
Reclassification of deferred tax assets to non-current assets	(706)	
Restatement of receivables relating to off-plan property sales (matching reduction in "Other current liabilities")	(936)	
Reclassification of broadcast rights not yet ready for transmission (TF1) (matching reduction in "Other current liabilities")	(72)	
Restatements to deferred charges	(32)	
Other items (securitisation, reclassifications, etc.)	(89)	
LIABILITIES & SHAREHOLDERS' EQUITY		
Impact of transition on shareholders' equity at 1 January 2004		
See Note 3.4, column 1 for an analysis of the transition from French GAAP to IFRS		
Non-current provisions		**(380)**
Reclassification of provisions to current liabilities (normal business cycle) to comply with IFRS	(436)	
Net additions to provisions to comply with IFRS (employee benefits, deferred tax liabilities, etc.)	56	
Non-current debt		**(927)**
Reclassification of current portion of debt	(984)	
Reclassification from "Other equity" (primarily Bouygues Telecom participating loans)	167	
Other items, net (securitisation, finance leases)	(110)	
Other current liabilities		**(615)**
Reclassification of current provisions	436	
Restatements related to property activities (matching reduction in "Other current assets")	(936)	
Other items (TF1 rights, matching entry in current assets)	(115)	
Current financial liabilities		**1,224**
Reclassification of the current portion of debt	984	
Securitisation and hedging instruments, net	186	
Other items (finance leases, etc.)	54	

3.2. December 2004: financial statements published in the 2004 Annual Report under French GAAP

CONSOLIDATED BALANCE SHEET AT 31 DECEMBER (French GAAP - in millions of euros)	2004 net	2003 net
ASSETS		
Intangible fixed assets	5,634	6,409
Goodwill	192	264
Tangible fixed assets	4,205	4,532
Long-term investments(1)		
Non-consolidated subsidiaries and affiliates	126	145
Equity-method subsidiaries and affiliates	474	472
Other	122	161
FIXED ASSETS	**10,753**	**11,983**
Inventories	1,208	1,181
Programmes and broadcasting rights	535	693
Advances and payments on account	369	105
Trade receivables(2)	5,659	5,972
Other receivables, prepaid expenses & similar items(2) (3)	3,085	2,519
Short-term investment securities	2,810	2,144
Cash and equivalents	446	472
CURRENT ASSETS	**14,112**	**13,086**
TOTAL ASSETS	**24,865**	**25,069**
(1) of which due in less than one year	*5*	*3*
(2) of which due in more than one year	*407*	*750*
(3) 12/2004: of which receivable from PAI partners on sale of Saur shares	*1,031*	
LIABILITIES AND SHAREHOLDERS' EQUITY		
Authorised capital	333	333
Premiums, reserves & consolidated earnings(4)	3,745	4,867
Translation reserve	(95)	(69)
Treasury stock		
SHAREHOLDERS' EQUITY (attributable to the Group)(8)	**3,983**	**5,131**
Minority interests	964	894
TOTAL SHAREHOLDERS' EQUITY	**4,947**	**6,025**
Other equity	140	167
SHAREHOLDERS' EQUITY AND OTHER EQUITY	**5,087**	**6,192**
PROVISIONS FOR LIABILITIES AND CHARGES	**1,866**	**1,896**
FINANCIAL LIABILITIES(5)	**4,686**	**5,160**
PROGRESS PAYMENTS RECEIVED	**480**	**576**
Trade payables	5,207	5,345
Other non-financial liabilities, accrued income and similar items(7)	7,289	5,658
NON-FINANCIAL LIABILITIES(6)	**12,496**	**11,003**
Short-term bank borrowings	250	242
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**24,865**	**25,069**
(4) of which net earnings for the year (attributable to the Group)	*858*	*450*
(5) of which due in less than one year	*241*	*1,178*
(6) of which due in more than one year	*223*	*303*
(7)(8) 12/2004: of which exceptional payout to be made on 7 January 2005	*1,664*	

CONSOLIDATED INCOME STATEMENT (French GAAP - in millions of euros)	2004	2003
SALES(1)	**23,402**	**21,822**
Other operating income	1,114	1,104
Purchases and changes in inventories	(5,206)	(4,888)
Taxes other than income tax	(512)	(473)
Personnel costs	(4,827)	(4,615)
External charges and other operating expenses	(11,153)	(10,431)
Net depreciation, amortisation and provisions	(1,322)	(1,339)
Share in earnings of unincorporated joint ventures	51	58
OPERATING INCOME	**1,547**	**1,238**
Net financial items	(165)	(219)
EARNINGS BEFORE TAX AND EXCEPTIONAL ITEMS	**1,382**	**1,019**
Net exceptional items	209	(14)
Income tax	(519)	(380)
NET EARNINGS OF CONSOLIDATED COMPANIES	**1,072**	**625**
Share in earnings of companies accounted for by the equity method	42	43
NET EARNINGS BEFORE MINORITY INTERESTS AND AMORTISATION OF GOODWILL	**1,114**	**668**
Amortisation of goodwill	(55)	(42)
NET EARNINGS BEFORE MINORITY INTERESTS	**1,059**	**626**
Minority interests	(201)	(159)
Share in earnings acquired from minority interests		(17)
NET EARNINGS (attributable to the Group)	**858**	**450**
Earnings per share (in euros)	2.57	1.34
Diluted earnings per share (in euros)	2.53	1.28
(1) of which sales generated outside France	6,370	6,110

CONSOLIDATED CASH FLOW STATEMENT (French GAAP - in millions of euros)	2004	2003
A - OPERATING ACTIVITIES		
Cash flow from operations	**2,267**	**2,073**
Net earnings of consolidated companies[1]	1,045	611
Depreciation, amortisation and provisions on fixed assets	1,234	1,255
Net change in provisions and deferred taxes	367	264
Expenses to be amortised over several periods (gross)	(6)	(4)
Net gain (loss) on disposals of assets and other items	(373)	(53)
Change in working capital requirement	**423**	**239**
Current assets, prepaid expenses and similar items	(137)	(236)
Net progress payments received, non-financial liabilities and other items	560	475
NET CASH FROM OPERATING ACTIVITIES	**2,690**	**2,312**
B - INVESTING ACTIVITIES		
Increase in fixed assets:	**(1,601)**	**(2,250)**
Acquisitions of intangible and tangible fixed assets	(1,263)	(1,133)
Acquisitions of participating interests	(338)	(1,117)
Decrease in fixed assets:	**1,371**	**677**
Disposals of intangible and tangible fixed assets	177	203
Disposals of participating interests	1,194	474
Net investment:	**(230)**	**(1,573)**
Net change in other long-term investments	(18)	(4)
Receivables on Saur disposal	(1,031)	
Net change in liabilities relating to fixed assets	115	(91)
Impact from changes in scope of consolidation	(78)	15
NET CASH USED FOR INVESTING ACTIVITIES	**(1,242)**	**(1,653)**

	2004	2003
C - FINANCING ACTIVITIES		
Decrease in shareholders' equity and other equity	(1,748)	(248)
Exceptional payout to be made in 2005	1,664	
Dividends paid during the year	(258)	(213)
Net change in financial liabilities	(464)	558
NET CASH FROM (USED FOR) FINANCING ACTIVITIES	**(806)**	**97**
D - NET IMPACT OF EXCHANGE RATE MOVEMENTS	**(7)**	**(19)**
CHANGE IN CASH AND EQUIVALENTS (A + B + C + D)	**635**	**737**
Cash and equivalents at 1 January[2]	2,374	1,624
Net flows during the year	635	737
Other non-monetary movements[3]	(3)	13
CASH AND EQUIVALENTS AT 31 DECEMBER[2]	**3,006**	**2,374**

(1) net earnings of consolidated companies after amortisation of goodwill, including dividend received from companies accounted for by the equity method

(2) cash plus marketable securities less short-term bank borrowings

(3) transfers between line items

3.3. 31 December 2004: comparative French GAAP and IFRS balance sheets (as shown in the transition document published on the bouygues.com website in June 2005)

BALANCE SHEET (in millions of euros)	31 December 2004 IFRS	French GAAP
ASSETS		
Tangible fixed assets	4,629	4,205
Intangible fixed assets	1,020	5,634
Goodwill	4,540	192
Non-current financial assets	1,292	722
Current assets	9,144	10,856
Cash and equivalents	3,260	3,256
Financial instruments(1)	48	
Other current financial assets	15	
Total	**23,948**	**24,865**
LIABILITIES & SHAREHOLDERS' EQUITY		
Shareholders' equity attributable to the Group	3,998	3,983
Minority interests	980	964
Other equity		140
Total shareholders' equity	**4,978**	**5,087**
Long-term debt	4,648	4,686(2)
Non-current provisions	1,176	1,866(3)
Other non-current liabilities	158	
Debt (maturing within one year)	242	
Current liabilities	12,449	12,976
Short-term bank borrowings	252	250
Financial instruments(1)	41	
Other current financial liabilities	4	
Total	**23,948**	**24,865**
Net debt	**1,875**	**1,680**
Gearing	**38%**	**33%**

(1) on fair-value hedges of financial liabilities
(2) French GAAP: all financial liabilities
(3) French GAAP: all provisions for liabilities and charges

31 December 2004: comments on the main changes between the two sets of standards

ASSETS — in millions of euros

Tangible fixed assets — **424**

The increase under IFRS is due mainly to the reclassification of intangible fixed assets (telecom software, etc) (+250), the capitalisation of leased equipment (+83), and restatements on building and equipment depreciation periods and components (+110).

Intangible fixed assets — **(4,614)**

The reduction is due mainly due reclassifications of fair value adjustments (market share) as goodwill.

Goodwill — **4,348**

Reclassifications from fair value adjustments of intangibles now recorded in goodwill (market shares, etc.)

Other non-current assets — **570**

This heading includes deferred tax assets (DTA) included in "Other current assets" under French GAAP for the net amount of 570 at 31 December 2004.

Other current assets — **(1,712)**

Reclassification of DTA as "Other non-current assets" in the net amount of (570). Restatement of property receivables for off-plan sales (VEFA) in the amount of (1,095) (Matching reduction in "Other current liabilities").

Financial instruments

Assets	48
Liabilities	41

This item relates to debt hedging instruments estimated at fair value.
The change recorded is allocated either to income for the period or to consolidated shareholders' equity, depending on the nature of the financial assets and liabilities.

LIABILITIES & SHAREHOLDERS' EQUITY

Shareholders' equity — **(109)**

Including +15 for Group share; see above table providing detailed analysis of the transition as of 31 December 2004.

Shareholders' equity under French GAAP at 31 December 2004:		**5,087**
Group share	**3,983**	
Provisions for employee benefits (IAS 19)	(52)	
Tangible (IAS 16) and intangible (IAS 38) fixed assets (analysis by component/depreciation and amortisation periods / depreciable costs, etc.) and asset impairment (IAS 36)	15	
Straight-line goodwill amortisation (attributable to the Group)	23	
Net deferred taxes on IFRS restatements (IAS 12)	19	**15**
Additional restatements for gain on disposal of Saur (deconsolidation)	21	
Other(1)	(11)	
Sub-total - Group share	**3,998**	
Minority interests' share / other equity	**1,104**	
Reclassification as non-current financial liabilities of minority interests on Bouygues Telecom participating loans (and other shareholders' equity)	(140)	
Other restatements on minority interests	16	(124)
Sub-total - Minority interests	**980**	
Shareholders' equity under IFRS at 31 December 2004:		**4,978**

(1) including changes in fair value of financial instruments and miscellaneous restatements

Non-current provisions — **(690)**

The reduction is due mainly to the reclassification into current provisions of provisions in connection with the normal operating cycle in the amount of 540 million euros.

Non-current debt — **(38)**

The small change is due mainly to the reclassification of the amount due within one year as current liabilities.

Other non-current liabilities — **158**

This heading now includes deferred tax liabilities.

Current liabilities — **(527)**

Small net change

Of which: - reclassification of current provisions	**540**
- restatements for Group property business (See "Other current assets")	**(1,095)**

3.4. 31 December 2004: transition from French GAAP to IFRS on shareholders' equity

(in millions of euros)	01/01/04	Capital increase	Treasury shares	Conversion reserve	Other movements	Income	31/12/04	
Shareholders' equity - Group share under French GAAP[1]	**5,058**	**356**	**(414)**	**(26)**	**(1,849)[2]**	**858**	**3,983**	
Treasury shares under Bouygues SA liquidity agreement			(1)				**(1)**	
Net tangible and intangible fixed assets depreciation / amortisation period / basis and deferred charges (IAS 2 / 16 / 38)	(1)					16	**15**	
Provisions for employee benefits (IAS 19)	(52)						**(52)[7]**	
Net deferred tax on IFRS restatements (IAS 12)	20					(1)	**19**	
Share-based payments					7	(7)		
Goodwill						23[5]	**23**	
IFRS supplement on Saur disposal						21[6]	**21**	
Other restatements and reclassifications	(11)			11	(9)[4]	(1)	**(10)**	
Shareholders' equity under IFRS	**5,014**	**356**	**(415)**	**(15)**	**(1,851)**	**909**	**3,998**	
Minority interests (and other equity) under French GAAP	**1,046**	**5**		**2**	**(150)[3]**	**201**	**1,104**	**964** **140**
Reclassification as non-current financial liabilities of minority interests on participating loans and other equity	(167)				27		**(140)**	
Other	11					5	**16**	
Minority interests under IFRS	**890**	**5**		**2**	**(123)**	**206**	**980**	
Total shareholders' equity under French GAAP	**6,104**	**361**	**(414)**	**(24)**	**(1,999)**	**1,059**	**5,087**	**(109)**
Total shareholders' equity under IFRS	**5,904**	**361**	**(415)**	**(13)**	**(1,974)**	**1,115**	**4,978**	

(1) French GAAP at 1 January 2004 after restatement for change in method for customer loyalty provision (Bouygues Telecom), created at end 2004 under French GAAP (maintained under IFRS)
(2) of which: dividend paid by Bouygues SA: (164), exceptional payout to be made on 7 January 2005: (1,664)
(3) of which: dividends distributed by minority shareholders: (94)
(4) of which: change in fair value of financial instruments and other
(5) cancellation of straight-line goodwill amortisation: 100%: 28; o/w Group share: 23
(6) supplement due to effect of deconsolidating Saur under IFRS: 100% = 25, o/w Group share: 21
(7) resettting of actuarial gains and losses (corridor) to zero and various adjustments to conform to IAS 19 (LT employee benefits)

3.5. 31 December 2004: transition of income statement (French GAAP to IFRS)

INCOME STATEMENT (in millions of euros)	12/2004 French GAAP	IFRS / restatements/ Income		Disposal of Saur[1]	Other IFRS reclassifications	12/2004 IFRS
Sales	23,402			(2,176)	16	**21,242**
Other revenues	1,114			(35)	(938)	**141**
Taxes other than income tax	(512)			43	(7)	**(476)**
Personnel costs	(4,827)	(9)	Share-based payments: (9)[2]	452	(26)	**(4,410)**
Purchases and changes in inventories/external charges/other operating expenses	(16,359)				16,359	
Purchases used in production		3		670	(9,813)	**(9,140)**
External charges		(3)	Finance leases: (2)	1,004	(5,644)	**(4,643)**
Change in inventories used in production and property development					(13)	**(13)**
Other operating income and expenses		5[3]		(328)	597	**274**
Depreciation, amortisation and provisions	(1,322)	14[4]		138	(246)	**(1,416)**
Share in earnings of unincorporated joint ventures	51				(51)	
Operating profit	**1,547**					
IFRS restatements and reclassifications		**10**		**(232)**	**234**	
Current operating profit	**1,547**	**10**		**(232)**	**234**	**1,559**
Financial income and expenses	(165)			17	148	
Cost of net debt		(3)	Mainly including liabilities related to finance leases	2	(161)	**(162)**
Other financial income and expenses				(3)	(29)	**(32)**
Exceptional income and expenses	209				(209)	
Income tax	(519)	(1)		18	2	**(500)**
Share of income in affiliated companies	42	(3)		(2)		**37**
Goodwill amortisation	(55)	28	Cancellation of straight-line goodwill amortisation	12	15[5]	
Net profit of discontinued and held-for-sale operations (Saur)		25	IFRS impact with Saur deconsolidated	188		**213**
Net earnings	**1,059**	**56**				**1,115**
Group share	858	51				**909**
Minority interests' share	201	5				**206**

(1) elimination of the impact of the operations of Saur (sold in December 2004) and Infomobile (sold in August 2004) and reclassification of net income from disposal under the IFRS heading "Net profit of discontinued and held-for-sale operations".
(2) stock option plans issued after 7 November 2002
(3) of which: - finance leases: 40 (IAS 17)
- inclusion of change in depreciation and amortisation in residual book value: (27) (IAS 16)
(4) of which : - cancellation of deferred charges: 9 (IAS 38)
- inclusion of finance leases: (34) (IAS 17)
- restatement for asset amortisation period and basis: 37 (IAS 16)
(5) to be reclassified as operating income

The +51 change under IFRS can be summarised as follows:

Net profit - Group share under French GAAP, year to 31 December 2004	**858**
No straight-line amortisation of goodwill under IFRS (excluding Saur)	23
Stock options: charge created for share-based payments under stock option plans at Bouygues SA and TF1 (IFRS 2)	(7)
Restatement of depreciation charges on buildings, equipment (components/periods, etc.) and depreciable expenses	16
Additional IFRS restatement of gain on the disposal of Saur at end 2004, after resetting negative translation reserves to zero as of 1 January 2004 (IFRS 1)	21
Other IFRS restatements (of which net deferred tax = (1))	(2)
Net profit attributable to the Group under IFRS, year to 31 December 2004	**909**

3.6. 2004 Consolidated cash flow statement

(In millions of euros)	Year 2004 IFRS(1)	Year 2004 French GAAP(2)
Net cash generated from operating activities		
Cash flow after cost of net debt and income taxes	2,052	2,267
Cost of net debt and tax expense	662	
Cash flow before cost of net debt and tax expense	2,714	
Other cash flows relating to working capital requirement	35	423
Net cash generated from operating activities	**2,749**	**2,690**
Net cash used in investing activities		
Net acquisitions of tangible and intangible fixed assets	(1,047)	(230)
Net acquisitions of consolidated investments and other	822	
Receivables on Saur disposal	(1,031)	(1,031)
Other cash flow from investing activities	119	19
Cash flow used in investing activities	**(1,137)**	**(1,242)**
Net cash used in financing activities		
Shareholders' equity	(1,720)	(1,748)
Dividends paid	(258)	(258)
Exceptional payout	1,664	1,664
Cash used for financial liabilities	(270)	
Cost of net debt	(162)	(464)
Other cash from financing activities	(93)	
Net cash used in financing activities	**(839)**	**(806)**
Effect of changes in exchange rates	(8)	(7)
Change in cash position	**765**	**635**
Cash position at 1 January	**2,250**	**2,374**
Changes during 2004	**758**	**632**
Cash at 31 December	**3,008**	**3,006**

(1) presentation in accordance with the CNC recommendation dated 27 October 2004
(2) comparative presentation of cash flow statement under French GAAP, in accordance with possible concordance under IFRS

The 2004 cash flows shown in the IFRS cash flow statement exclude the cash flow of Saur, which was sold at the end of 2004.

Net cash generated by operating activities **59**
Most of the net increase between the two sets of standards comes from the additional net profit under IFRS (+51) that affects cash flow

Net cash used in investing activities **105**
The change is mainly due to the deconsolidation of Saur cash flow under IFRS 2 (+122)

Net cash used in financing activities **(33)**
The change is due to the deconsolidation of Saur and to IFRS restatements

NOTE 4: NON-CURRENT ASSETS 11,444

An analysis of non-current assets by business segment is provided in Note 17.

4.1 Summary of net investments for the period (operating and financing)

(In millions of euros)	2005	2004
Acquisitions of property, plant and equipment	1,198	1,106
Acquisitions of intangible assets	173	115
Investments in operating assets	**1,371**	**1,221**
Non-current financial assets (investments in consolidated and non-consolidated companies, other long-term investments)	333	338
Investments in financial assets	**1,704**	**1,559**
Disposals of non-current assets	(225)	(1,334)
Net investment	**1,479**	**225**

4.2. Movements during the period 4,615

4.2.1. Property, plant and equipment

Gross value	Land and buildings	Industrial plant and equipment	Other property, plant and equipment	PP&E under construction and advance payments	Total
1 January 2004	**1,495**	**6,708**	**1,837**	**130**	**10,170**
Translation adjustment	(5)	(32)	(10)	(1)	**(48)**
Transfers and other movements	44	(21)	61	(90)	**(6)**
Changes in scope of consolidation	(165)	(77)	(237)	1	**(478)**
Acquisitions and other increases	41	685	237	143	**1,106**
Disposals and other reductions	(60)	(325)	(115)	(7)	**(507)**
31 December 2004	**1,350**	**6,938**	**1,773**	**176**	**10,237**
of which finance leases	47	55	230		**332**
MOVEMENTS DURING 2005					
Translation adjustment	30	95	29		**154**
Transfers and other movements	12	83	(202)	(116)	**(223)**
Changes in scope of consolidation	(30)	(49)	21	(6)	**(64)**
Acquisitions and other increases(1)	64	807	225	102	**1,198**
Disposals and other reductions	(13)	(424)	(145)	(4)	**(586)**
31 December 2005	**1,413**	**7,450**	**1,701**	**152**	**10,716**
of which finance leases	30	67	158		**255**
Depreciation and impairment					**Total**
1 January 2004	**(447)**	**(3,530)**	**(1,173)**		**(5,150)**
Translation adjustment	1	20	6		**27**
Transfers and other movements	4	39	(36)		**7**
Changes in scope of consolidation	57	31	140		**228**
Disposals and other reductions	14	239	99		**352**
Net depreciation expense	(55)	(763)	(253)		**(1,071)**
Impairment losses recognised		(1)			**(1)**
Impairment losses reversed					
31 December 2004	**(426)**	**(3,965)**	**(1,217)**		**(5,608)**
of which finance leases	(20)	(28)	(131)		**(179)**
MOVEMENTS DURING 2005					
Translation adjustment	(7)	(60)	(18)		**(85)**
Transfers and other movements	(2)	1	181		**180**
Changes in scope of consolidation	10	5	1		**16**
Disposals and other reductions	7	340	122		**469**
Net depreciation expense	(46)	(796)	(231)		**(1,073)**
Impairment losses recognised					
Impairment losses reversed					
31 December 2005	**(464)**	**(4,475)**	**(1,162)**		**(6,101)**
of which finance leases	(10)	(38)	(110)		**(158)**
Net		(2)			**Total**
31 December 2004	**924**	**2,973**	**556**	**176**	**4,629**
of which finance leases	27	27	99		**153**
31 December 2005	**949**	**2,975**	**539**	**152**	**4,615**
of which finance leases	20	29	48		**97**

(1) including Bouygues Telecom: Network investments of 506 million (10% higher than in 2004)
(2) including Bouygues Telecom: gross value of fully-depreciated property, plant and equipment still in use: 661 million (network equipment and installations)

Analyses of the carrying amount of intangible assets and property, plant & equipment, and of investment in operating assets, by business segment and geographical area are provided in Note 17, "Segment Information".

4.2.2. Intangible assets

1,056

Gross value	Development expenses	Concessions, patents and similar rights[1]	Other intangible assets	Total
1 January 2004	**5**	**1,046**	**1,029**	**2,080**
Translation adjustment	0	1	0	**1**
Transfers and other movements	0	0	(93)	**(93)**
Changes in scope of consolidation	0	4	(67)	**(63)**
Acquisitions and other increases	1	53	61	**115**
Disposals and other reductions	0	(6)	(31)	**(37)**
31 December 2004	**6**	**1,098**	**899**	**2,003**
MOVEMENTS DURING 2005				
Translation adjustment	0	0	3	**3**
Transfers and other movements	0	(17)	(10)	**(27)**
Changes in scope of consolidation	(7)	(7)	35	**21**
Acquisitions and other increases	1	46	124	**171**
Disposals and other reductions	0	(10)	(4)	**(14)**
31 December 2005	**0**	**1,110**	**1,047**	**2,157**
Amortisation and impairment				**Total**
1 January 2004	**(2)**	**(200)**	**(790)**	**(992)**
Translation adjustment	0	(1)	0	**(1)**
Transfers and other movements	0	1	14	**15**
Changes in scope of consolidation	0	2	88	**90**
Disposals and other reductions	0	4	21	**25**
Net amortisation expense	(2)	(56)	(62)	**(120)**
Impairment losses recognised	0	0	0	**0**
Impairment losses reversed	0	0	0	**0**
31 December 2004	**(4)**	**(250)**	**(729)**	**(983)**
MOVEMENTS IN 2005				
Translation adjustment	0	0	(1)	**(1)**
Transfers and other movements	0	14	3	**17**
Changes in scope of consolidation	4	8	(13)	**(1)**
Disposals and other reductions	0	8	3	**11**
Net amortisation expense	0	(83)	(61)	**(144)**
Impairment losses recognised	0	0	0	**0**
Impairment losses reversed	0	0	0	**0**
31 December 2005	**0**	**(303)**	**(798)**	**(1,101)**
Carrying amount				**Total**
31 December 2004	**2**	**848**	**170**	**1,020**
31 December 2005	**0**	**807**	**249**	**1,056**

(1) includes Bouygues Telecom UMTS licence: 619

UMTS licence

The fee for the UMTS licence, awarded for a 20-year period, comprises:

- a fixed component of 619 million euros, recognised as an intangible asset on the date the licence was awarded (12 December 2002).
- a variable component, calculated at 1% of sales generated by the operation of the third-generation mobile network, which is recognised in the income statement for the period with effect from the opening of the UMTS network.

The UMTS licence is amortised over its useful life. Bouygues Telecom began to amortise the licence on 26 May 2005, when the UMTS network opened.

4.2.3. Goodwill 4,618

■ Movement in carrying amount of goodwill

	Gross value	Impairment	Carrying amount
1 January 2004	**5,272**		**5,272**
Changes in scope of consolidation	(735)	2	(733)
Impairment losses		(17)	(17)
Other movements	19	(1)	18
31 December 2004	**4,556**	**(16)**	**4,540**
MOVEMENTS IN 2005			
Changes in scope of consolidation	500[1]		500
Impairment losses		(7)	(7)
Other movements	(415)[2]		(415)
31 December 2005	**4,641**	**(23)**	**4,618**

(1) includes 320 million euros relating to the option to buy 6.5% of Bouygues Telecom
(2) includes (420) million euros relating to TPS, in process of divestment, reclassified as "Held-for-sale assets"

■ Split of goodwill by cash generating unit (CGU)

As mentioned in Note 2, CGUs are equivalent to business segments within the Bouygues Group.

Segment	31 December 2005		31 December 2004	
	Total	% of parent	Total	% of parent
Bouygues Construction	106	99.97%	76	99.97%
Colas	805	96.42%	726	96.27%
TF1	1,047	42.93%	1,393	41.50%
Bouygues Telecom	2,655	89.55%	2,335	83.05%
Other activities	5		10	
Total Bouygues	**4,618**		**4,540**	

■ Consolidated purchase price of listed shares (TF1 and Colas)

	Consolidated purchase price per share[1]	Average quoted share price at 31 December 2005[2]
TF1	10.37	22.92
Colas	65.34	143.92

(1) carrying amount per share in the consolidated financial statements
(2) average of quoted share prices between 1 December 2005 and 31 December 2005

Impairment tests were carried out as described in Note 1, and did not indicate any material impairment of intangible assets or goodwill attached to the Group's CGUs (business segments).

4.2.4. Non-current financial assets 780

	Gross value				Impairment	Carrying amount
	Associates[1]	Other non-current assets		Total gross value		
		Investments in non-consolidated companies	Other non-current assets			
1 January 2004	**479**	**267**	**185**	**931**	**(166)**	**765**
Translation adjustment	(2)	0	(2)	(4)	0	**(4)**
Transfers and other movements	0	0	0	0	5	**5**
Changes in scope of consolidation	(16)	(69)	(18)	(103)	4	**(99)**
Acquisitions and other increases	27	53	45	125	0	**125**
Disposals and other reductions	0	(28)	(62)	(90)	0	**(90)**
Net impairment reversals / (losses)					21	**21**
31 December 2004	**488**	**223**	**148**	**859**	**(136)**	**723**
MOVEMENTS IN 2005						
Translation adjustment	4	0	3	7	0	**7**
Transfers and other movements	(17)	21	(7)	(3)	1	**(2)**
Changes in scope of consolidation	(12)	(10)	1	(21)	(11)	**(32)**
Acquisitions and other increases	36	6	94	136	0	**136**
Disposals and other reductions	0	(29)	(33)	(62)	0	**(62)**
Net impairment reversals / (losses)					10	**10**
31 December 2005	**499**	**211**	**206**	**916**	**(136)**	**780**

(1) includes goodwill relating to associates: 138

Investments in associates 497

	Share of net assets held	Net goodwill relating to associates(1)	Carrying amount
1 January 2004	**330**	**149**	**479**
Translation adjustment	(2)	0	**(2)**
Transfers and other movements	0	0	**0**
Changes in scope of consolidation	(3)	(13)	**(16)**
Acquisitions and other increases	25	0	**25**
Disposals and other reductions	0	0	**0**
Net impairment reversals / (losses)			**0**
31 December 2004	**350**	**136**	**486**
MOVEMENTS IN 2005			
Translation adjustment	4	0	**4**
Transfers and other movements	(17)	0	**(17)**
Changes in scope of consolidation	(12)	0	**(12)**
Acquisitions and other increases	2	0	**2**
Disposals and other reductions	34	0	**34**
Net impairment reversals / (losses)			**0**
31 December 2005	**361**	**136**	**497**

(1) includes impairment of (2)

The Bouygues Group owns a number of interests in associates, which are listed in Note 26 (Detailed List of Consolidated Companies at 31 December 2005).

Movements in the carrying amount of investments in associates during 2005

	31/12/2004	Net movement in 2005(1)	31/12/2005	Of which: share of net profit
Construction				
Stade de France	12	1	13	3
Other public works concession companies	35	4	39	2
Other associates		10	10	14
Roads				
Cofiroute	349	20	369	46
Tipco Asphalt	9	8	17	1
Other associates	11	(2)	9	2
Media	45	(5)	40	(6)
Bouygues SA and other associates				
Novasaur(2)	21	(21)		
Other associates	4	(4)		
Total	**486**	**11**	**497**	**62**

(1) including share of net profit for the year, acquisitions, changes in scope of consolidation, translation adjustments, dividend payments and capital increases
(2) Novasaur: deconsolidated in 2005 after divestment of a 5.12% interest

Summary information about the assets, liabilities, income and expenses of the principal associates of the Bouygues Group is provided below.

Amounts shown are for 100% of the associate	31 December 2005 Cofiroute	Alis	Stade de France
Non-current assets	4,421	895	369
Current assets	594	65	77
Total assets	**5,015**	**960**	**446**
Shareholders' equity	1,428	(4)	39
Non-current liabilities	3,107	946	337
Current liabilities	480	18	70
Total liabilities and equity	**5,015**	**960**	**446**
Sales	900	4	72
Operating profit	465	NS	18
Net profit	**276**	**(6)**	**9**

Amounts shown are for 100% of the associate	31 December 2004 Cofiroute	Alis(1)	Stade de France
Non-current assets	3,393	715	371
Current assets	793	94	64
Total assets	**4,186**	**809**	**435**
Shareholders' equity	1,256	(1)	36
Non-current liabilities	775	773	354
Current liabilities	2,155	37	45
Total liabilities and equity	**4,186**	**809**	**435**
Sales	895	-	74
Operating profit	458	-	18
Net profit	**260**	**-**	**9**

(1) operation of the A28 motorway started in 2005

4.2.5.1. Carrying amount of principal investments in non-consolidated companies at 31 December 2005

Investment	31/12/2005								31/12/2004
	Gross value	Impairment	Carrying amount	% interest	Total assets[2]	Total current & non-current liabilities	Total sales	Net profit	Carrying amount
French companies									
CATC[2]	2		**2**	99.8%	2	-	-	-	**10**
Foncière du point du jour[2]	10	(7)	**3**	100.0%	3	-	-	-	**3**
Périphérique de Lyon[2]	9	(8)	**1**	38.7%	4	-	-	-	**1**
Sylver[2]	4		**4**	49.0%	9	5	14	3	**4**
Novasaur	36		(1) **36**	9.9%	3	3	1	-	**30**
Asphalt & binder companies (Colas)[3]	19	(2)	**17**		-	-	-	-	**21**
Other investments in French companies	31	(13)	**18**		-	-	-	-	**14**
Sub-total	**111**	**(30)**	**81**		**21**	**8**	**15**	**3**	**83**
Foreign companies									
Socoprim (Côte d'Ivoire)[2]	14		**14**	66.3%	22	1		-	**14**
Ma Chang (South Korea)[2]	7		**7**	44.0%	42	28		(1)	**6**
CCIB (Romania)[2]	6	(6)	**0**	22.0%	-	-	-	-	
VSL corporation (USA)[2]	22	(22)	**0**	100.0%		1		(1)	
Asphalt & binder companies (Colas)	2	(1)	**1**		-	-	-	-	**1**
Other investments in foreign companies	49	(38)	**11**		-	-	-	-	**12**
Sub-total	**100**	**(67)**	**33**		**64**	**30**	**0**	**(2)**	**33**
Total	**211**	**(97)**	**114**		**85**	**38**	**15**	**1**	**116**

(1) carrying amount after divestment of a 5.12% interest in 2005 and deconsolidation of the remaining 9.88% interest

(2) Although Bouygues has an interest of more than 20% in these companies, they are not consolidated because their potential contribution to the consolidated financial statements is not material.

(3) The information provided for Colas asphalt & binder companies and other investments in French and foreign companies covers a number of companies, about which individual information is not disclosed.

4.2.5.2. Other non-current financial assets 169

The main items included in this heading are:

- Advances to non-consolidated companies 45
- Non-current loans and receivables 45
- Other long-term investments: 79

 comprising:

 - Deposits and caution money 67
 - Other long-term investment securities 12

Main components of "Other long-term investment securities"

 Miscellaneous mutual funds 6
 Other investments individually less than 2 million euros 6

Analysis of investments in non-consolidated companies and other non-current financial assets (excluding associates) by type 283

	Available-for-sale financial assets	Loans and receivables	Financial assets at fair value through profit or loss	Held-to-maturity financial assets	Total
31 December 2004	63	51	4	119	**237**
Movements during 2005	35	48	1	(38)	**46**
31 December 2005	98	99	5	81	**283**
Due within less than 1 year	6	5	1	2	**14**
Due within 1-5 years	6	39	3	2	**50**
Due after more than 5 years	86	55	1	77	**219**

Investments in joint ventures

The Bouygues Group holds a number of interests in joint ventures, which are listed in Note 26 (Detailed List of Consolidated Companies at 31 December 2005).

Aggregate amounts for assets / liabilities and sales are provided in the table below:

Bouygues share	31/12/2005	31/12/2004
Total assets / liabilities	**763**	**626**
Sales	**918**	**755**

4.3. Non-current tax assets 375

See Note 8 for details.

NOTE 5: CURRENT ASSETS 12,590

5.1. Inventories 1,804

Inventories	31/12/2005			31/12/2004		
	Gross value	Impairment	Carrying amount	Gross value	Impairment	Carrying amount
Inventories: raw materials, supplies, finished goods and property development inventories	1,368	(75)	**1,293**	1,274	(118)	**1,156**
Programmes and broadcasting rights (TF1)[1]	655	(144)	**511**	659	(124)	**535**
Total	**2,023**	**(219)**	**1,804**	**1,933**	**(242)**	**1,691**

Impairment of inventories	Charges		Reversals	
	31/12/2005	31/12/2004	31/12/2005	31/12/2004
Inventories: raw materials, supplies, finished goods and property development inventories	(34)	(47)	40[a]	44
Programmes and broadcasting rights (TF1)	(76)	(34)	55	30
Total	**(110)**	**(81)**	**95**	**74**

(a) includes reversals of impairment losses on property development inventories (Bouygues Immobilier): 22

(1) TF1: the maturities of broadcasting and transmission rights contracts entered into by TF1 to secure future programming schedules are as follows:

	Maturity			Total 2005	Total 2004
	within less than 1 year	within 1-5 years	after more than 5 years		
• Programmes and broadcasting rights[(1) (2)]	491	850	292	1,633	1,025
• Sports transmission rights[(3)]	212	457	271	940	494
Total	**703**	**1,307**	**563**	**2,573**	**1,519**

(1) From 2005 onwards, this includes output deal contracts entered into by TF1 SA.
Some of these contracts are denominated in foreign currencies (30 million euros in CHF, 89 million euros in GBP and 418 million euros in USD).

(2) programmes and broadcasting rights: these relate primarily to TF1 SA (1,277 million euros) and TPS (236 million euros).

(3) sports transmission rights: these relate to TF1 SA (609 million euros), Eurosport (314 million euros) and TPS (17 million euros).

5.2. Advances and down-payments on orders 357

	31/12/2005			31/12/2004		
	Gross value	Impairment	Carrying amount	Gross value	Impairment	Carrying amount
Advances and down-payments on orders	360	(3)	**357**	369	0	**369**

5.3 Trade receivables, tax assets, other receivables and prepaid expenses 7,173

	31/12/2005			31/12/2004		
	Gross value	Impairment	Carrying amount	Gross value	Impairment	Carrying amount
Trade receivables (including unbilled receivables)	5,759	(341)	**5,418**	4,896	(321)	**4,575**
Current tax assets (tax receivable)	73	(2)	**71**	45		**45**
Other receivables and prepaid expenses :						
Other operating receivables (employees, social security, government & other)	1,148	(20)	**1,128**	997	(25)	**972**
Sundry receivables	495	(89)	**406**	1,474(1)	(123)	**1,351**
Prepaid expenses	150		**150**	141		**141**
Total	**7,625**	**(452)**	**7,173**	**7,553**	**(469)**	**7,084**

(1) includes receivable from PAI partners on sale of Saur: 1,031

5.4. Financial instruments (assets) 41

See Note 18, Financial Instruments.

5.5. Cash and equivalents 3,215

Cash and equivalents	31/12/2005			31/12/2004		
	Gross value	Impairment	Carrying amount	Gross value	Impairment	Carrying amount
Cash	618		618	442		442
Short-term investment securities	2,609	(12)	2,597(1)	2,829	(11)	2,818
Total	**3,227**	**(12)**	**3,215**	**3,271**	**(11)**	**3,260**

As at 31 December 2005, the realisable value of short-term investment securities was greater than their carrying amount.
Investments are placed with high-quality French and foreign banks.
Cash and equivalents can be easily converted into cash.

(1) Short-term investment securities are mainly classified as available-for-sale.

Net cash and equivalents as shown in the cash flow statement comprise the following items at 31 December 2005:

	31/12/2005	31/12/2004
Cash	618	442
Short-term investment securities	2,597	2,818
Sub-total	3,215	3,260
Overdrafts and short-term bank borrowings	(178)	(252)
Sub-total	(178)	(252)
Total	**3,037**	**3,008**

Split by currency at 31 December 2005	Euro	Pound sterling	Swiss franc	Other European currencies	US dollar	Other	Total
Cash	351	22	29	70	27	119	**618**
Short-term investment securities	2,579		2			16	**2,597**
Financial instruments							
Overdrafts and short-term bank borrowings	(35)			(51)	(1)	(91)	**(178)**
Total 2005	**2,895**	**22**	**31**	**19**	**26**	**44**	**3,037**
Total 2004	**2,880**	**22**	**31**	**29**	**26**	**20**	**3,008**

NOTE 6: CONSOLIDATED SHAREHOLDERS' EQUITY

6.1. Share capital of Bouygues SA (in euros) €336,762,896

As at 31 December 2005, the share capital of Bouygues SA consisted of 336,289,029 shares and 473,867 investment certificates. Movements in the year ended 31 December 2005 were as follows:

	1 January 2005	Movements during 2005: Reductions	Movements during 2005: Increases	31 December 2005
Shares	332,254,414	(8,361,649)	12,396,264	336,289,029
Investment certificates	504,210	(30,343)		473,867
Number of shares / certificates	**332,758,624**	**(8,391,992)**	**12,396,264**	**336,762,896**
Par value (in euros)	€1			€1
Share capital (in euros)	**332,758,624**	**(8,391,992)**	**12,396,264**	**336,762,896**

6.2. Statement of changes in shareholders' equity for year ended 31 December 2005 (Group & minority interests)

31 December 2005 (in millions of euros)	Share capital	Share premium	Reserves related to capital	Retained earnings	Consolidated reserves & profit for year	Treasury shares	Profits recognised directly in equity	Total 31/12/2005
Attributable to the Group	337	1,897	810	276	1,244	(5)	71	**4,630**
Minority interests					926		5	**931**
Total shareholders' equity	**337**	**1,897**	**810**	**276**	**2,170**	**(5)**	**76**	**5,561**

6.2.1. Attributable to the Group

(In millions of euros)	Share capital	Share premium	Reserves related to capital	Retained earnings	Consolidated reserves & profit for year	Treasury shares	Profits recognised directly in equity	Total Group
Position at 1 January 2004	**333**	**1,977**	**712**	**43**	**1,940**		**9**	**5,014**
Movements								
Capital and reserves transactions, net		(58)						**(58)**
Share-based payment							7	**7**
Dividends					(1,828)			**(1,828)**
Net profit for the year attributable to the Group					909			**909**
Financial instruments							6	**6**
Translation adjustments							(15)	**(15)**
Other movements					(36)	(1)		**(37)**
Position at 31 December 2004	**333**	**1,919**	**712**	**43**	**985**	**(1)**	**7**	**3,998**
Change of accounting method								
Adjusted position at 31 December 2004	**333**	**1,919**	**712**	**43**	**985**	**(1)**	**7**	**3,998**
Movements								
Capital and reserves transactions, net	4	(22)	98	233	(331)			**(18)**
Share-based payment					7		32	**39**
Dividends					(249)			**(249)**
Minority interests in net profit for the year					832			**832**
Financial instruments							(9)	**(9)**
Translation adjustments							59	**59**
Other movements						(4)	(18)	**(22)**
Position at 31 December 2005	**337**	**1,897**	**810**	**276**	**1,244**	**(5)**	**71**	**4,630**

6.2.2. Minority interests

(In millions of euros)	Share capital	Share premium	Reserves related to capital	Retained earnings	Consolidated reserves & profit for year	Profits recognised directly in equity	Total: minority interests
Position at 1 January 2004					**890**		**890**
Movements					**5**		**5**
Capital and reserves transactions, net					(94)		**(94)**
Dividends					206		**206**
Net profit for the period attributable to minority interests							
Financial instruments						2	**2**
Translation adjustments							
Other movements					(29)		**(29)**
Position at 31 December 2004					**978**	**2**	**980**
Change of accounting method							
Adjusted position at 31 December 2004					**978**	**2**	**980**
Movements							
Capital and reserves transactions, net							
Dividends					(91)		**(91)**
Net profit for the period attributable to minority interests					206		**206**
Financial instruments							
Translation adjustments						3	**3**
Change in scope of consolidation					(170)		**(170)**
Other movements					3		**3**
Position at 31 December 2005					**926**	**5**	**931**

6.2.3. Analysis of movements in profits taken directly to equity during 2005 (portion attributable to the Group)

	Note	Year ended 31/12/2005
Translation reserve	1	**59**
Financial instruments (changes in fair value)	2	**(9)**
Share-based payment	3	**32**
Other movements	4	**(18)**
Total		**64**

1 - Translation reserve

The translation reserve was deemed to be zero as at 1 January 2004 under IFRS, and hence includes only movements since that date.

Principal translation differences at 31 December 2005 on foreign companies reporting in:

	31/12/2004	Movement in 2005	31/12/2005
US dollar	(16)	34	18
Canadian dollar	(1)	15	14
Other	2	10	12
Total	**(15)**	**59**	**44**

2 - Fair value remeasurement reserve

Reserve arising on the remeasurement of financial instruments and available-for-sale financial assets at fair value

	31/12/2004	Movement in 2005	31/12/2005
Movement during the year	15	(9)	6

3 - Share-based payment (IFRS 2)

	31/12/2004	2005	31/12/2005	
TF1 and Bouygues SA stock options				
• Transfer to reserves	7	(7)		2004 expense
• 2005 expense:				
- TF1		2	2	Portion attributable to Bouygues
- Bouygues SA		7	7	Based on plans granted since November 2002
Consolidated expense		**9**	**9**	**(recognised in "Personnel costs")**
Employee savings plan (Bouygues Confiance 3)		30	30	Cost of benefit awarded to employees on 21 June 2005 (discount to share price)
Total	**7**	**32**	**39**	

4 - Other movements

	31/12/2005
Call options on Bouygues SA shares	(37)
Other movements	19
Total	**(18)**

NOTE 7: NON-CURRENT AND CURRENT PROVISIONS

7.1. Non-current provisions = 1,265

	Long-term employee benefits(1)	Litigation and claims(2)	Guarantees given(3)	Other non-current provisions(4)	Total
1 January 2004	**320**	**264**	**188**	**620**	**1,392**
Movements during 2004					
Translation adjustment					
Transfers between items	10	(5)	3	17	**25**
Changes in accounting method and scope of consolidation	(34)	(18)	(2)	(278)	**(332)**
Charges to provisions	45	91	83	171	**390**
Provisions utilised	(7)	(43)	(47)	(89)	**(186)**
Provisions no longer required	(3)	(46)	(10)	(54)	**(113)**
31 December 2004	**331**	**243**	**215**	**387**	**1 176**
Movements during 2005					
Translation adjustment	1		1	2	**4**
Transfers between items	1	(19)	(2)	(19)	**(39)**
Changes in scope of consolidation	1	(1)		(21)	**(21)**
Charges to provisions	67	141	75	103	**386**
Provisions utilised	(30)	(28)	(39)	(66)	**(163)**
Provisions no longer required	(3)	(27)	(18)	(30)	**(78)**
31 December 2005	**368**	**309**	**232**	**356**	**1,265(5)**

(1) ***Long-term employee benefits*** ***368***
Lump-sum retirement benefits *251*
Long-service awards *96*
Other long-term employee benefits *21*

(2) ***Litigation and claims*** ***309***
Provisions for customer disputes *128*
Subcontractor claims *36*
Employee-related litigation and claims *21*
Other litigation and claims *124*

(3) ***Guarantees given*** ***232***
Provisions for warranties *164*
Additional building, civil engineering / civil works guarantees *68*

(4) ***Other non-current provisions*** ***356***
Risks related to tax and other official inspections *109*
Provisions for miscellaneous foreign risks *16*
Provisions for subsidiaries and associates *14*
Provisions for contractual obligations *9*
Provisions for site remediation costs *64*
Other non-current provisions *144*

(5) *includes 46: fines for anti-competitive practices, Construction segment*

7.2. Current provisions = 676

Provisions related to the operating cycle (see Note 2).

	Provisions for customer warranties	Provisions for foreign exchange losses	Provisions for project risks & project completion	Provisions for losses to completion	Provisions for customer loyalty programmes	Other current provisions	Total
1 January 2004	**23**	**5**	**148**	**73**	**136**	**156**	**541**
Movements during 2004							
Translation adjustment				(1)			**(1)**
Transfers between items			(11)	1		(15)	**(25)**
Changes in accounting method and scope of consolidation	1		(6)				**(5)**
Charges to provisions	15		74	49	11	81	**230**
Provisions utilised	(12)	(1)	(45)	(41)		(71)	**(170)**
Provisions no longer required			(14)	(7)		(9)	**(30)**
31 December 2004	**27**	**4**	**146**	**74**	**147**	**142**	**540**
Movements during 2005							
Translation adjustment			2	2		2	**6**
Transfers between items	2		(10)	36		43	**71**
Changes in scope of consolidation			(1)	(3)		(13)	**(17)**
Charges to provisions	19		71	81	155	90	**416**
Provisions utilised	(15)		(33)	(27)	(128)	(59)	**(262)**
Provisions no longer required	(2)	(2)	(22)	(31)		(21)	**(78)**
31 December 2005	**31**	**2**	**153(1)**	**132(3)**	**174**	**184(2)**	**676**

(1) including :
- *provisions for risks on completed projects: 77*
- *provisions for final settlement on projects: 76*

(2) including:
- *provisions for accident risk insurance costs: 48*
- *other current provisions: 126*

(3) relates to the Construction segment: Bouygues Construction 67, Bouygues Immobilier 33, Colas 32 (individual project provisions are not disclosed for confidentiality reasons).

NOTE 8: NON-CURRENT TAX ASSETS / LIABILITIES 375 / 89

8.1. Non-current tax assets

	31/12/2004	Change	31/12/2005
Deferred tax assets	**566**	**(191)**	**375**
• Bouygues Telecom(1)	426	**(223)**	203
• Other segments	140	**32**	172
Other non-current tax assets	**3**	**(3)**	**0**
Total non-current tax assets	**569**	**(194)**	**375**

(1) Bouygues Telecom: Deferred tax assets on tax losses available for carry-forward (mainly depreciation deferred for tax purposes), the recoverability of which is based upon profit forecasts for 2006 contained in the latest business plans presented to the Board of Directors.

8.2. Non-current tax liabilities

	31/12/2004	Change	31/12/2005
Deferred tax liabilities	158	(69)	89
Other non-current tax liabilities			
Total non-current tax liabilities	**158**	**(69)**	**89**

8.3. Deferred tax assets and liabilities by business segment

Type of deferred taxation by business segment	Net deferred tax asset / liability at 31/12/04	Changes in scope of consolidation	Translation adjustment	Movements during 2005		Other items	Net deferred tax asset / liability at 31/12/05
				Gain	Expense		
A - Tax losses available for carry-forward							
Bouygues Construction	3						**3**
Bouygues Immobilier							**0**
Colas	3			4			**7**
Media				12			**12**
Telecoms	332				(168)		**164**
Bouygues SA and other activities							**0**
Sub-total	**338**	**0**	**0**	**16**	**(168)**	**0**	**186**
B - Temporary differences(1)							
Bouygues Construction	33			13	(1)	12	**57**
Bouygues Immobilier	16			5			**21**
Colas	(23)	(3)	(4)	16	(7)	17	**(4)**
Media	(10)			11	(1)	(3)	**(3)**
Telecoms	94			4	(57)	(3)	**38**
Bouygues SA and other activities	(40)			3	(1)	29	**(9)**
Sub-total	**70**	**(3)**	**(4)**	**52**	**(67)**	**52**	**100**
Total	**408**(2)	**(3)**	**(4)**	**68**	**(235)**	**52**	**286**(2)

(1) main sources of deferred taxation:	***2005***	***2004***
- deferred tax assets on employee benefits	*87*	*64*
- deferred tax on temporarily non-deductible provisions	*54*	*19*
- restricted provisions booked solely for tax purposes	*(57)*	*(18)*
- other	*16*	*5*
	100	*70*

(2) net deferred tax asset

8.4. Period to recovery of deferred tax assets

31 December 2005	Less than 2 years	3 to 5 years	Over 5 years	Total
Period to recovery of deferred tax assets	257	52	66	**375**

8.5. Unrecognised deferred tax assets

Amount of deferred tax assets not recognised due to low probability of recovery

	31 December 2005	31 December 2004
Bouygues Construction	51	50
Colas	27	35
TF1	42	63
Other	75	66
Total unrecognised deferred tax assets	**195**	**214**

NOTE 9: NON-CURRENT AND CURRENT DEBT

5,415

Non-current debt	**4,721**
Current debt	**694**

9.1. Interest-bearing debt by maturity

	Current debt 2006	Non-current debt						Other	Total non-current debt 31/12/05	Total 12/2004
		1 to 2 years 2007	2 to 3 years 2008	3 to 4 years 2009	4 to 5 years 2010	5 to 6 years 2011	Over 6 years 2012 & later			
Bond issues	594			1,012	509	759	1,728		**4,008**	**3,761**
Bank borrowings	43	67	12	13	11	17	56		**176**	**676**
Finance lease obligations	35	18	15	8	5	4	7		**57**	**80**
Other debt	22	4	8	3	1	2	2		**20**	**20**
Participating loans										**111**
Total interest-bearing debt	**694**	**89**	**35**	**1,036**	**526**	**782**	**1,793**		**4,261**	**4,648**
Promise to buy 6.5% of Bouygues Telecom		**460**							**460**	
Total incl. Bouygues Telecom promise	**694**	**549**	**35**	**1,036**	**526**	**782**	**1,793**		**4,721**	
Comparative at 31/12/04	**242**	**1,050**	**37**	**32**	**1,040**	**536**	**1,813**	**140**		**4,648**

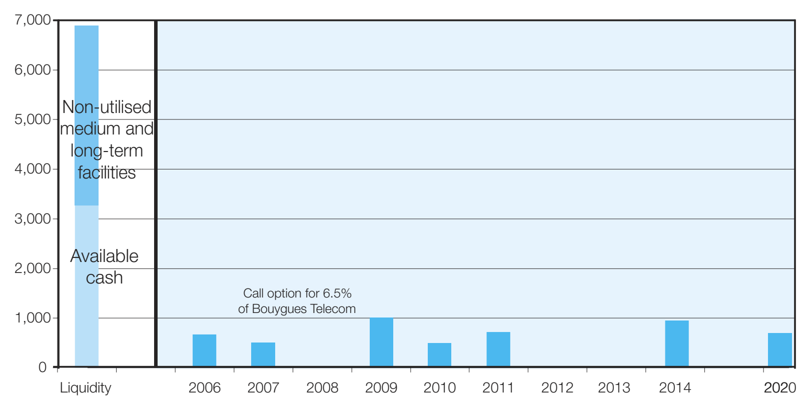
Finance lease obligations by business segment	Construction	Property	Roads	Media	Telecoms	Bouygues SA & other activities	Total
Non-current at 31 December 2005			32	2	23		**57**
Current at 31 December 2005			26	1	8		**35**
Non-current at 31 December 2004			36	15	29		**80**
Current at 31 December 2004			35	9	6		**50**

9.2. Confirmed credit facilities and drawdowns

Description	Confirmed facilities - Maturity				Drawdowns on credit facilities - Maturity			
	Less than 1 year	1-5 years	Over 5 years	Total	Less than 1 year	1-5 years	Over 5 years	Total
Bond issues (primarily Bouygues SA)	594	1,521	2,487	**4,602**	594	1,521	2,487	**4,602**
Bank borrowings	178	3,424	402	**4,004**	43	103	73	**219**
Other borrowings	57	62	15	**134**	57	62	15	**134**
Total before Bouygues Telecom promise	**829**	**5,007**	**2,904**	**8,740**	**694**	**1,686**	**2,575**	**4,955**
Promise to buy 6.5% of Bouygues Telecom		460		**460**		460		**460**
Total including Bouygues Telecom promise	**829**	**5,467**	**2,904**	**9,200**	**694**	**2,146**	**2,575**	**5,415**

9.3. Liquidity at 31 December 2005

As at 31 December 2005, available cash stood at 3,063 million euros (including 26 million euros of financial instruments contracted to hedge net debt). In addition, the Group had 3,785 million euros of unused confirmed medium-term credit facilities as at the same date.



Consequently, the Group has no exposure to liquidity risk.
The credit facilities contracted by Bouygues contain no financial covenants or trigger events, and nor do those used by Bouygues subsidiaries.

9.4. Split of current and non-current debt by interest rate type

Split of current and non-current debt, including the effect of all open interest rate hedging contracts at the balance sheet date:

	12/2005	12/2004
• Fixed rate(1)	85%	69%
• Variable rate	15%	31%

(1) rates fixed for more than one year

9.5. Interest rate risk

The split of financial assets and liabilities by interest rate type at 31 December 2005 was as follows:

	Variable	Fixed	Total
Financial liabilities	447	4,968	**5,415**
Financial assets(*)	3,063		**3,063**
Net position before hedging	(2,616)	4,968	**2,352**
Interest rate hedges	345	(345)	
Net position after hedging	**(2,271)**	**4,623**	**2,352**
Adjustment for the seasonal nature of certain activities	350		
Net position after hedging and adjustment	**(1,921)**		

(*) including 26 million euros for the fair value of financial instruments contracted to hedge net debt

An immediate 1% rise in short-term interest rates would reduce net interest by 19.2 million euros over a full year.

9.6. Split of current and non-current debt by currency

	Europe						
	Euro	Pound Sterling	Other currencies	US Dollar	CFA Franc	Other currencies	Total
Non-current at 31/12/05	4,610	38	23	9	35	6	**4,721**
Current at 31/12/05	677		3	1	11	2	**694**
Non-current at 31/12/04	4,486	13	11	20	103	15	**4,648**
Current at 31/12/04	220				18	4	**242**

An analysis of debt by business segment is provided in Note 17.

NOTE 10: MAIN COMPONENTS OF CHANGE IN NET DEBT 2,352

10.1. Change in net debt

	31/12/2004	2005 movements	31/12/2005
Cash and equivalents	(3,260)	45	(3,215)
Overdrafts and short-term bank borrowings	252	(74)	178
Net cash and equivalents	**(3,008)**	**(29)(1)**	**(3,037)**
Non-current debt	4,648	73	4,721
Current debt	242	452	694
Financial instruments, net	(7)	(19)	(26)
Gross debt	**4,883**	**506**	**5,389**
Net debt	**1,875**	**477**	**2,352**

(1) cash and equivalents as analysed in the 2005 cash flow statement (net cash flows + non-monetary movements)

10.2. Principal transactions in the year ended 31 December 2005

Net debt at 31 December 2004	**1,875**
Main impacts of changes in scope of consolidation	**(192)**
Exceptional payout by Bouygues	**1,664**
Proceeds received from divestment of Saur	**(1,031)**
Ordinary dividends paid by Bouygues and TF1 to minority shareholders	**339**
Bouygues Confiance 3 capital increase	**(196)**
Main acquisitions and disposals of investments and financial assets	**239**
Purchase of treasury shares	**362**
Bouygues Telecom fine and exceptional levy on payout made by Bouygues SA	**120**
Operating and other items	**(1,288)**
Net debt at 31 December 2005 (before promise to buy Bouygues Telecom shares)	**1,892**
Recognition of the promise to buy 6.5% of Bouygues Telecom	**460**
Net debt at 31 December 2005	**2,352**

Sign convention: cash and equivalents negative, debt positive

NOTE 11: CURRENT LIABILITIES 12,612

Breakdown of current liabilities

	31/12/2005	31/12/2004
Advances and down-payments received	677	679
Debt (amount due within one year)(1)	694	242
Current taxes payable	211	177
Trade payables	5,805	5,207
Current provisions(2)	676	540
Other current liabilities, deferred income and similar		
Other operating liabilities (employees, Social Security, government)	1,998	1,740
Deferred income	961	1,058
of which investment grants	0	0
Unrealised foreign exchange gains	0	0
Other non-financial liabilities	1,392	3,048
Overdrafts and short-term bank borrowings	178	252
Financial instruments (hedging of fair-value financial liabilities)(3)	9	41
Other current financial liabilities	11	4
Total	**12,612**	**12,988**

(1) see analysis in Note 9
(2) see analysis in Note 7.2
(3) see analysis in Note 18

NOTE 12: ANALYSIS OF SALES AND OTHER REVENUES FROM OPERATIONS

12.1. Analysis by accounting classification

	2005	2004
Sales of goods	2,215	2,007
Sales of services	9,415	9,976
Construction contracts	12,443	8,911
Sales	**24,073**	**20,894**
Royalties		
Other revenues from operations	147	141
Other revenues from operations	**147**	**141**
Total	**24,220**	**21,035**

There were no material exchanges of goods or services in the year ended December 31, 2005.

Information about construction contracts

	Bouygues Construction	Colas	Total
Unbilled works	259	224	483
Warranty retentions	41	16	57
Works billed in advance	(624)	(171)	(795)
Advance payments received	(375)	(113)	(488)

12.2. Analysis by business segment

Sales reported by fully-consolidated companies include accounting revenues from works contracts and sales of goods and services.

SEGMENT	2005 sales				2004 sales			
	France	International	Total	%	France	International	Total	%
Construction	3,346	2,469	5,815	24%	2,957	2,270	5,227	25%
Property	1,389	168	1,557	6%	1,205	90	1,295	6%
Roads	5,436	3,988	9,424	39%	4,877	3,070	7,947	38%
Media	2,239	250	2,489	11%	2,214	269	2,483	13%
Telecoms	4,525		4,525	19%	3,649		3,649	17%
Bouygues SA & other subsidiaries	11	252	263	1%	3	290	293	1%
Consolidated sales	**16,946**	**7,127**	**24,073**	**100%**	**14,905**	**5,989**	**20,894**	**100%**
% change 2005 vs. 2004	**14%**	**19%**	**15%**					

12.3. Analysis by geographical area

	2005 sales		2004 sales	
	Total	%	Total	%
France	16,946	70	14,905	71
European Union	2,636	11	2,034	10
Rest of Europe	766	3	655	3
Africa	1,056	4	979	5
Middle East	21		18	0
United States and Canada	1,781	8	1,499	7
Central & South America	132	1	107	1
Asia-Pacific	735	3	697	3
Total	**24,073**	**100**	**20,894**	**100**

12.4. Split by type of contract, France / international (%)

	2005			2004		
	France	International	Overall	France	International	Overall
Public-sector contracts[(3)]	29	49	35	30	48	35
Private-sector contracts	71	51	65	70	52	65

(3) sales billed directly to government departments or local authorities (mainly works and maintenance contracts) in France and abroad

NOTE 13: OPERATING PROFIT 1,748

	2005	2004
Current operating profit		
Sales	24,073	20,894
Other revenues from operations	147	141
Purchases used in production and external charges	(15,906)	(13,499)
Taxes other than income tax	(512)	(470)
Personnel costs	(4,808)	(4,380)
Net depreciation, amortisation, provisions and impairment		
Depreciation and amortisation	(1,196)	(1,103)
Net charge to provisions and impairment losses	(457)	(283)
Changes in production & property development inventories	58	(13)
Other operating income and expenses	453	270
Reversals of provisions no longer required(1)	223(1)	125
Net gain on disposal of non-current assets	84	91
Other income and expenses	146	54
Current operating profit	**1,852**	**1,557**
Non-current operating income and expenses(2)	(104)	0
Operating profit	**1,748**	**1,557**

See Note 17 for a breakdown by business segment

(1) Reversals of provisions no longer required are individually immaterial.

(2) fines for anti-competitive practices in 2005:
- fine for alleged collusion in the mobile telephony market (ruling by the French competition commission) 58
- construction segment 46

NOTE 14: COST OF NET DEBT AND OTHER FINANCIAL INCOME AND EXPENSES (187)

Cost of net debt	2005	2004
Cost of gross debt	(224)	(234)
Interest income on cash and equivalents	37	75
Total	**(187)**	**(159)**

The cost of net debt breaks down as follows:

	2005	2004
• Net interest charges on debt	(216)	(212)
• Interest charges on finance leases	(6)	(6)
• Net interest charges related to cash and equivalents	2	15
• Positive and negative effects of financial instruments on net debt	(5)	(4)
• Income from available-for-sale securities and cash equivalents	38	48
	(187)	(159)

Under IFRS, foreign exchange gains and losses are treated as operating items.

Other financial income and expenses	2005	2004
Dividends from non-consolidated companies	5	4
Net charges: provisions and impairment of financial items	8	(3)
Net discounting expense	(12)(1)	(3)
Change in fair value of other financial assets and financial liabilities	4	(2)
Current account waivers, gains / losses on disposals of investments in non-consolidated companies and other financial assets, net interest other than on debt, commitment and arrangement fees, advance rent and other	(34)	(26)
Total	**(29)**	**(30)**

See Note 17 for an analysis of the cost of net debt by business segment

(1) includes: (10) in respect of the liability recognised for the promise to buy Bouygues Telecom shares from BNP Paribas

NOTE 15: INCOME TAX EXPENSE (570)

15.1. Analysis of net income tax expense

	2005			2004		
	France	Other countries	Total	France	Other countries	Total
Tax payable to the tax authorities	(282)	(122)	(404)	(252)	(64)	(316)
Deferred tax liabilities	(19)	(1)	(20)	9	(1)	8
Deferred tax assets(1)	(153)	7	(146)	(194)	1	(193)
Total	**(454)**	**(116)**	**(570)**	**(437)**	**(64)**	**(501)**

(1) includes Bouygues Telecom deferred tax assets written back

See Note 17 for an analysis by business segment

15.2. Tax proof (reconciliation between standard tax rate and effective tax rate)

The differences between the actual standard corporate income tax rate applicable in France and the effective tax rate based on the consolidated financial statements are as follows:

	2005	2004
• Standard tax rate in France	34.93%	35.43%
• Recognition and utilisation of tax loss carry-forwards	(0.77%)	1.35%
• Effect of permanent differences	2.29%	(0.60%)
• Taxes not calculated at the standard corporate income tax rate: flat-rate taxes, dividend taxes, group tax election, differences in tax rates (long-term capital gains in France, foreign tax rates)	(0.99%)	(2.51%)
• **Effective tax rate**	**35.46%**	**33.67%**

NOTE 16: BASIC AND DILUTED EARNINGS PER SHARE

Earnings per share before dilution (basic earnings per share) is obtained by dividing net profit attributable to the Group by the weighted average number of shares outstanding during the year, excluding the average number of ordinary shares bought and held as treasury shares.

	2005	2004
Net profit attributable to the Group	832	909
Weighted average number of shares outstanding	332,036,321	333,600,848
Basic earnings per share (in euros)	**2.51**	**2.72**
Basic earnings per share for 2004 excluding gain on divestment of Saur (in euros)		**2.10**

Diluted earnings per share is calculated by reference to the weighted average number of shares outstanding, adjusted for the conversion of all potentially dilutive shares (i.e. stock subscription options legally and effectively exercisable at the balance sheet date).

	2005	2004
Net profit used to calculate diluted earnings per share	832	909
Weighted average number of shares outstanding	332,036,321	333,600,848
Adjustment for potential dilutive effect of stock options	11,351,815	5,538,592
Diluted earnings per share (in euros)	**2.42**	**2.68**

NOTE 17: SEGMENT INFORMATION

Segment information is presented in two forms: **1. By business segment**: Construction (Bouygues Construction) ; Property (Bouygues Immobilier) ; Roads (Colas) ; Media (TF1) ; Telecoms (Bouygues Telecom) ; Bouygues SA and other activities - **2. By geographical area**: France, Europe (excluding France), Africa, Asia-Pacific, Americas, Middle East.

17.1. Analysis by business segment: year ended 31 December 2005

	Construction	Property	Roads	Media	Telecoms	Bouygues SA & other activities	Total 2005
INCOME STATEMENT							
Total sales	6,131	1,557	9,540	2,508	4,537	423	**24,696**
Inter-segment sales	(316)		(116)	(19)	(12)	(160)	**(623)**
Third-party sales	**5,815**	**1,557**	**9,424**	**2,489**	**4,525**	**263**	**24,073**
Net depreciation and amortisation expense	(111)	(3)	(338)	(80)	(626)	(38)	**(1,196)**
Net charges to provisions	(186)	(44)	(107)	(44)	(67)	(9)	**(457)**
Current operating profit	**250**	**156**	**421**	**353**	**656**	**16**	**1,852**
Non-current operating income and expenses	(12)		(32)		(58)	(2)	**(104)**
Operating profit	**238**	**156**	**389**	**353**	**598**	**14**	**1,748**
Cost of net debt	32	1	(10)	(12)	(26)	(172)	**(187)**
Income tax expense	(114)	(53)	(121)	(116)	(220)	54	**(570)**
Share of profits and losses of associates	19		49	(5)		(1)	**62**
Net profit before results of discontinued and held-for-sale operations	**176**	**92**	**312**	**221**	**352**	**(129)**	**1,024**
Net profit of discontinued and held-for-sale operations				14			**14**
Net profit	**176**	**92**	**312**	**235**	**352**	**(129)**	**1,038**
Net profit attributable to the Group	**176**	**90**	**296**	**101**	**301**	**(132)**	**832[4]**
BALANCE SHEET							
Property, plant and equipment	247	46	1,650	152	2,270	250	**4,615**
Intangible assets	11	1	47	178	806	13	**1,056**
Goodwill[1]	106		805	1,047	2,655	5	**4,618**
Deferred tax assets & long-term tax receivables	61	26	64	16	203	5	**375**
Investments in associates	62		395	40			**497**
Other non-current assets	89	8	98	21	3	64	**283**
Cash and equivalents	251	40	241	177	5	2,501	**3,215**
Other unallocated assets							**9,939**
Total assets							**24,598**
Non-current financial liabilities	8	72	108	513	23	3,997	**4,721**
Non-current provisions	519	79	471	47	54	95	**1,265**
Deferred tax liabilities & long-term tax liabilities	1	5	61	7		15	**89**
Current financial liabilities	4	14	37	25	11	603	**694**
Overdrafts and short-term bank borrowings	56	1	100	1	1	19	**178**
Unallocated liabilities							**17,651**
Total liabilities							**24,598**
Net debt[2]	(1,874)	(150)	(415)	351[3]	441	3,999	**2,352**
CASH FLOW STATEMENT							
Cash flow (from operations, before changes in working capital)	411	161	781	453	1,261	23	**3,090**
Net acquisitions of property, plant and equipment and intangible assets	(56)	(4)	(411)	(155)	(584)	(19)	**(1,229)**
Net acquisitions of investments in consolidated companies and other investments	(39)		(134)	(30)		(47)	**(250)**
OTHER INDICATORS							
EBITDA	547	203	867	476	1,349	63	**3,505**
Free cash flow	273	105	239	170	431	(114)	**1,104**

(1) see breakdown in Note 4 (allocated on the basis of the investee company)
(2) contribution at business segment level, including Bouygues Relais and Uniservice current accounts (these inter-segment accounts are eliminated in the "Bouygues SA and other activities" column).

Sign convention: cash and equivalents negative, debt positive
(3) excluding TPS (106 million euros)
(4) increase of 19% relative to 2004 (excluding gain on divestment of Saur)

17.2. Analysis by business segment: year ended 31 December 2004

	Construction	Property	Roads	Media	Telecoms	Bouygues SA & other activities	Total 2004
INCOME STATEMENT							
Total sales	5,511	1,295	8,024	2,502	3,665	399	**21,396**
Inter-segment sales	(284)		(77)	(19)	(16)	(106)	**(502)**
Third-party sales	**5,227**	**1,295**	**7,947**	**2,483**	**3,649**	**293**	**20,894**
Net depreciation and amortisation expense	(115)	(6)	(299)	(79)	(562)	(42)	**(1,103)**
Net charges to provisions	(104)	(18)	(46)	(31)	(17)	(67)	**(283)**
Operating profit	**168**	**119**	**310**	**381**	**597**	**(18)**	**1,557**
Cost of net debt	26		(7)	(13)	(62)	(103)	**(159)**
Income tax expense	(59)	(40)	(94)	(137)	(196)	25	**(501)**
Share of profits and losses of associates	3		42	(5)		(3)	**37**
Net profit before results of discontinued and held-for-sale operations	**140**	**68**	**253**	**225**	**332**	**(114)**	**904**
Net profit of discontinued and held-for-sale operations				(2)		213	**211**
Net profit	**140**	**68**	**253**	**223**	**332**	**99**	**1,115**
Net profit attributable to the Group	**140**	**64**	**242**	**93**	**275**	**95**	**909**
Net profit attributable to the Group, excluding Saur	**140**	**64**	**242**	**93**	**275**	**(114)**	**700**
BALANCE SHEET							
Property, plant and equipment	287	45	1,413	208	2,293	383	**4,629**
Intangible assets	1	1	41	124	837	16	**1,020**
Goodwill(1)	76		726	1,393	2,335	10	**4,540**
Deferred tax assets & long-term tax receivables	36	24	29	21	426	33	**569**
Investments in associates	48		368	45		25	**486**
Other non-current assets	70	6	106	11	2	42	**237**
Cash and equivalents	228	57	224	159	16	2,576	**3,260**
Other unallocated assets							**9,207**
Total assets							**23,948**
Non-current financial liabilities	11	44	89	524	619	3,361	**4,648**
Non-current provisions	437	66	426	80	29	138	**1,176**
Deferred tax liabilities & long-term tax liabilities	1	7	49	31		70	**158**
Current financial liabilities	24	15	50	33	9	111	**242**
Overdrafts and short-term bank borrowings	58	3	74	17		100	**252**
Unallocated liabilities							**17,472**
Total liabilities							**23,948**
Net debt(2)	(1,523)	(249)	(423)	409	1,197	2,464	**1,875**
CASH FLOW STATEMENT							
Cash flow (from operations, before changes in working capital)	291	125	623	483	1,159	33	**2,714**
Net acquisitions of property, plant and equipment and intangible assets	(73)	(4)	(348)	(79)	(502)	(41)	**(1,047)**
Net acquisitions of investments in consolidated companies and other investments	(1)	(11)	(66)	(54)		954	**822**
OTHER INDICATORS							
EBITDA	413	143	655	491	1,176	65	**2,943**
Free cash flow	187	81	175	254	398	(88)	**1,007**

(1) see breakdown in Note 4 (allocated on the basis of the investee company)
(2) contribution at business segment level, including Bouygues Relais and Uniservice current accounts (these inter-segment accounts are eliminated in the "Bouygues SA and other activities" column). Sign convention: cash and equivalents negative, debt positive

17.3. Analysis by geographical area

Year ended 31 December 2005	France	European Union	Rest of Europe	Africa	Asia-Pacific	Americas	Middle East	Total
Income statement								
Third-party sales	16,946	2,636	766	1,056	735	1,913	21	**24,073**
Balance sheet								
Property, plant and equipment(1)	3,725	248	53	199	41	349		**4,615**
Intangible assets	1,015	22		13		6		**1,056**
Unallocated assets								**18,927**
Total assets								**24,598**
Cash flow statement								
Purchase price of property, plant and equipment and intangible assets	(1,093)	(70)	(19)	(71)	(17)	(101)		**(1,371)**

(1) including assets held under finance leases

Year ended 31 December 2004	France	European Union	Rest of Europe	Africa	Asia-Pacific	Americas	Middle East	Total
Income statement								
Third-party sales	14,905	2,034	655	979	697	1,606	18	**20,894**
Balance sheet								
Property, plant and equipment(1)	3,657	193	107	377	30	265		**4,629**
Intangible assets	941	15	13	13		38		**1,020**
Unallocated assets								**18,299**
Total assets								**23,948**
Cash flow statement								
Purchase price of property, plant and equipment and intangible assets	(943)	(59)	(17)	(97)	(14)	(91)		**(1,221)**

(1) including assets held under finance leases

17.4. Income statement by function

Year ended 31 December 2005	Construction (Bouygues Construction)	Property (Bouygues Immobilier)	Roads (Colas)	Media (TF1)	Telecoms (Bouygues Telecom)	Bouygues SA & other activities	Total
Consolidated sales	**5,815**	**1,557**	**9,424**	**2,489**	**4,525**	**263**	**24,073**
Cost of sales	(4,903)	(1,264)	(8,130)	(1,799)	(3,253)	(222)	**(19,571)**
Gross profit	**912**	**293**	**1,294**	**690**	**1,272**	**41**	**4,502**
Research and development expenses	(7)	(1)	(107)		(21)	(1)	**(137)**
Selling expenses	(289)	(97)		(138)	(164)	(3)	**(691)**
Administrative expenses	(366)	(41)	(765)	(199)	(431)	(75)	**(1,877)**
Goodwill impairment			(1)			(5)	**(6)**
Other operating income & expenses		2				59	**61**
Current operating profit	**250**	**156**	**421**	**353**	**656**	**16**	**1,852**

Year ended 31 December 2004	Construction (Bouygues Construction)	Property (Bouygues Immobilier)	Roads (Colas)	Media (TF1)	Telecoms (Bouygues Telecom)	Bouygues SA & other activities	Total
Consolidated sales	**5,227**	**1,295**	**7,947**	**2,483**	**3,649**	**293**	**20,894**
Cost of sales	(4,518)	(1,048)	(6,845)	(1,766)	(2,450)	(180)	**(16,807)**
Gross profit	**709**	**247**	**1,102**	**717**	**1,199**	**113**	**4,087**
Research and development expenses	(4)	(1)	(101)	(3)	(26)	(1)	**(136)**
Selling expenses	(249)	(86)		(133)	(149)	(4)	**(621)**
Administrative expenses	(324)	(41)	(690)	(189)	(427)	(127)	**(1,798)**
Goodwill impairment				(11)			**(11)**
Other operating income & expenses	36						**36**
Current operating profit	**168**	**119**	**311**	**381**	**597**	**(19)**	**1,557**

NOTE 18: FINANCIAL INSTRUMENTS

The tables presented below show, for information purposes, the aggregate notional amounts at 31 December 2005 for each type of financial instrument used, split by residual maturity for interest rate hedges and by currency for currency hedges.

18.1. Fully-consolidated companies

18.1.1. Interest rate hedges

■ **Analysis by maturity** (in millions in euros)

Maturity	at 31/12/05				Notional amounts
	2006	2007 to 2010	Beyond	Total	at 31/12/2004
Interest rate swaps					
- on financial assets	525	34		**559(1)**	**639**
- on financial liabilities	414	617	37	**1,068(2)**	**1,441**
Future rate agreements					
- on financial assets	-	-	-	-	**-**
- on financial liabilities	-	-	-	-	**-**
Caps / floors					
- on financial assets	-	-	-	-	**-**
- on financial liabilities	-	-	-	-	**410**

(1) of which swaps paying fixed rate: 334
(2) of which swaps paying fixed rate: 568

■ **Analysis by business segment** (in millions of euros)

	Construction	Property	Roads	Media	Telecoms	Bouygues SA & other activities	Total 31/12/2005	Total 31/12/2004
Interest rate swaps								
- on financial assets	225					334	**559**	**639**
- on financial liabilities	14	20	34	400	400	200	**1 068**	**1 441**
Future rate agreements								
- on financial assets	-	-	-	-	-	-	**-**	**-**
- on financial liabilities	-	-	-	-	-	-	**-**	**-**
Caps / floors								
- on financial assets	-	-	-	-	-	-	**-**	**-**
- on financial liabilities	-	-	-	-	-	-	**-**	**410**

In the case of renewable interest rate hedges, the amounts shown in the columns relate to the longest maturity.

18.1.2. Currency hedges

■ **Analysis by currency**

Currency	At 31 December 2005 (equivalent value in millions of euros) US dollar	Pound sterling	Swiss franc	Hong Kong dollar	Other	Total	Total at 31/12/04
Forward purchases / sales							
- forward purchases	75	14	3	-	22	**114**	**148**
- forward sales	170	28	7	22	42	**269**	**224**
Currency swaps	79	54	111	61	16	**321**	**220**
Currency options							
- purchased	34	9	2	-	8	**53**	**22**
- written	-	-	-	-	4	**4**	**-**

■ **Analysis by business segment** (in millions of euros)

	Construction	Property	Roads	Media	Telecoms	Bouygues SA & other activities	Total 31/12/2005	Total 31/12/2004
Forward purchases / sales								
- forward purchases	33	-	23	53	-	5	**114**	**148**
- forward sales	236	-	4	11	-	18	**269**	**224**
Currency swaps	19	-	12	-	-	290	**321**	**220**
Currency options								
- purchased	12	-	2	18	21	-	**53**	**22**
- written	-	-	4	-	-	-	**4**	

18.2. Market value of hedging instruments

At 31 December 2005, the market value (net present value) of the hedging instruments portfolio was +9 million euros.
This amount mainly comprises the net present value of interest rate swaps contracted to hedge the Group's debt (fair value hedges and cash flow hedges), and the net present value of forwards and futures contracted to hedge currency risk arising on commercial transactions.

(1) includes -9 million euros for Colas arising from the impact of the interest rate swap contracted by the UK subsidiary of Colas for the contract with Portsmouth City Council; it is entirely offset by the market value of the derivative embedded in the fixed contractual fee paid by the customer, also of 9 million euros.

The split of this market value by type of hedge is as follows:

- fair value hedging relationship: + 14 millions euros
- cash flow hedging relationship: - 5 millions euros

A movement of +1.00% in the yield curve would increase the market value of the hedging instruments portfolio by 5 million euros; a movement of -1.00% in the yield curve would increase the market value of the hedging instruments portfolio by 12 million euros.

A uniform 1% depreciation in the euro against all other currencies would increase the market value of the hedging instruments portfolio by 4 million euros.

These calculations were prepared by the Bouygues Group, or obtained from the banks with whom the instruments were contracted.

NOTE 19: OFF BALANCE SHEET COMMITMENTS

19.1. Reciprocal commitments

Commitments given / received	Total 12/2005	Construction	Property	Roads	Media	Telecoms	Bouygues SA & other activities	Maturity under 1 year	Maturity 1 to 5 years	Maturity over 5 years	Maturity Total	Total 12/2004
Commitments given	**2,072**	**18**	**579**	**93**	**428**	**936**	**18**	**657**	**1,076**	**339**	**2,072**	**1,867**
Image transmission	**387**				387			82	302	3	**387**	**447**
Operating leases[1]	**1,040**	18	31	71	41	879[2]		191	513	336	**1,040**	**1,051**
Irrevocable purchase obligations	**645**		548[3]	22		57	18	384	261		**645**	**369**
Commitments received	**2,032**	**18**	**579**	**93**	**428**	**896**	**18**	**627**	**1,066**	**339**	**2,032**	**1,854**
Image transmission	**387**				387			82	302	3	**387**	**447**
Operating leases[1]	**1,040**	18	31	71	41	879		191	513	336	**1,040**	**1,051**
Irrevocable purchase obligations	**605**		548	22		17	18	354	251		**605**	**356**
Balance[4]	**40**					**40**		**30**	**10**		**40**	**13**

(1) minimum future lease payments due until the normal renewal date of the lease (or earliest potential termination date) under operating leases relating to current operations (land, buildings, plant & equipment, etc.)

(2) Bouygues Telecom: commitments given in connection with operating activities, primarily commercial leases of property and sites housing technical installations for the network (of which network site rentals: 661 and property rentals: 149)

(3) Bouygues Immobilier: irrevocable commitments, subject to conditions, relating to the purchase of land banks

(4) Bouygues Telecom: effect of the specific terms of certain equipment supply contracts

19.2. Sundry commitments

	Total 12/2005	Construction	Property	Roads	Media	Telecoms	Bouygues SA & other activities	Maturity under 1 year	Maturity 1 to 5 years	Maturity over 5 years	Maturity Total	Total 12/2004
Commitments given	**648**	**129**	**17**	**70**	**128**	**254**	**50**	**259**	**273**	**116**	**648**	**642**
Other contractual obligations and commercial commitments given (guarantees, endorsements, etc.)[1]	**648**	129	17	70	128	254	50	259	273	116	**648**	642
Commitments received	**100**	**2**			**87**	**5**	**6**	**48**	**44**	**8**	**100**	**70**
Other contractual obligations and commercial commitments received (guarantees, endorsements, etc.)	**100**	2			87	5	6	48	44	8	**100**	70
Balance	**548**	**127**	**17**	**70**	**41**	**249**	**44**	**211**	**229**	**108**	**548**	**572**

(1) In the course of its ordinary activities, the Group provides ten-year guarantees or performance bonds for which no quantified estimate or disclosure is made unless it becomes apparent that the guarantee or bond will require the Group to make payments, in which case a provision would be recognised.

19.3. Other commitments

Commitments given	
GSM licence	Bouygues Telecom has a GSM licence which requires compliance with a number of obligations; the company is in compliance with all these obligations. This licence is due for renewal in 2009.
UMTS licence	The UMTS licence awarded to Bouygues Telecom requires compliance with various obligations, relating in particular to the pace of the roll-out, geographical coverage and the commercial opening of the network. In a ruling issued on 20 May 2005, the French telecommunications regulator (Arcep) put back to 30 April 2007 at the latest the date by which Bouygues Telecom is required to make the UMTS services covered by the licence commercially available.
Blind spots	In 2002, Bouygues Telecom and the two other French mobile operators committed to providing coverage in a number of blind spots. This commitment was set out in an agreement signed in 2003 and amended in 2004. The three operators are obliged to provide coverage to 3,100 communities, representing 2,250 sites. Bouygues Telecom complied with its obligations in respect of 2005. The programme will continue in 2006 and 2007.

19.5. Contingent assets and liabilities

Contingent assets: Litigation	In February 2005, Bouygues Telecom instituted proceedings against Tekelec US, the supplier of two computer servers that failed on 17 November 2004, making it impossible for a number of Bouygues Telecom subscribers to make or receive calls. The case is currently before the courts of North Carolina. Bouygues Telecom is alleging negligence by the manufacturer, and is claiming damages of USD 80 million.
Contingent liabilities: Litigation	A complaint against Bouygues Telecom, SFR and Orange France relating to SMS tariffs is currently being investigated by the French competition commission.

	Total 12/2005	Construction	Property	Roads	Media	Telecoms	Bouygues SA & other activities	Maturity under 1 year	Maturity 1 to 5 years	Maturity over 5 years	Maturity Total	Total 12/2004
Total commitments given	**2,720**	**147**	**596**	**163**	**556**	**1,190**	**68**	**916**	**1,349**	**455**	**2,720**	**2,509**
Total commitments received	**2,132**	**20**	**579**	**93**	**515**	**901**	**24**	**675**	**1,110**	**347**	**2,132**	**1,924**

No material off balance sheet commitments have been omitted from this disclosure, in accordance with applicable accounting standards.

19.4. Collateral given

	Total 12/2005	Construction	Property	Roads	Media	Telecoms	Bouygues SA & other activities	Maturity under 1 year	Maturity 1 to 5 years	Maturity over 5 years	Maturity Total	Total 12/2004
Mortgages secured on land and buildings, pledges of plant and equipment	**9**			9				1	3	5	**9**	5
Pledges of securities, subordinated loans	**25**	7	18					18	7		**25**	18
Total Group	**34**	**7**	**18**	**9**				**19**	**10**	**5**	**34**	**23**

19.6. Obligations under finance leases and operating leases

19.6.1. Obligations under finance leases

Summary of future minimum lease payments	under 1 year	1 to 5 years	Total
Finance leases at 31 December 2005	42	61	103
Comparative at 31 December 2004	41	100	141

Present value of minimum lease payments	under 1 year	1 to 5 years	Total
Minimum lease payments	42	61	103
Finance charges	4	10	14
Present value of minimum lease payments	**38**	**51**	**89**
Comparative at 31 December 2004	46	70	116

The amount of contingent rent under finance leases at 31 December 2005 is: nil

19.6.2. Obligations under operating leases

Minimum payments for the year	Total lease payments for the year
Minimum payments for the year	176

Summary of future minimum lease payments	under 1 year	1 to 5 years	over 5 years	Total
Operating leases at 31 December 2005	191	513	336	1,040
Comparative at 31 December 2004	183	529	339	1,051

NOTE 20: HEADCOUNT, EMPLOYEE BENEFIT OBLIGATIONS AND EMPLOYEE SHARE OWNERSHIP

20.1. Average headcount

	2005	2004
Managerial	17,035	15,888
Supervisory, technical and clerical	17,825	17,432
Site workers	27,230	25,986
Sub-total: France	**62,090**	**59,306**
Expatriates and local contract staff	57,004	56,946
Total average headcount including TPS	**119,094**	**116,252**(1)
TPS	**(610)**	
Total average headcount excluding TPS	**118,484**	

(1) after deducting Saur average headcount (21,305), included at 31 December 2004

20.2. Employee benefit obligations, retirement benefit obligations (post-employment benefits)

The tables below disclose information about the Bouygues Group's retirement benefit obligations.

20.2.1. Defined-contribution plans

	2005	2004
Amounts recognised as expenses	(1,383)	(1,292)

The above defined-contribution expenses comprise contributions to:
- health insurance and mutual insurance funds,
- pension funds (compulsory and top-up schemes),
- unemployment insurance funds.

For related-party information, see Note 21

20.2.2. Defined-benefit plans

Net expense recognised in the income statement (as an operating item)

	Lump-sum retirement benefits		Pensions	
	2005	2004	2005	2004
Current service cost	13	16		
Interest expense on obligation	9	7	2	2
Expected return on plan assets			(2)	(1)
Net actuarial loss / (gain) recognised	(1)			
Past service cost	6	6	(1)	
Net expense recognised in income statement	**27**	**29**	**(1)**	**1**

Amounts recognised in the balance sheet

	Lump-sum retirement benefits		Pensions	
	31/12/2005	31/12/2004	31/12/2005	31/12/2004
Present value of obligation[1]	335	273	103	81
Fair value of plan assets	(3)[2]	(3)[2]	(74)	(60)
Net unrecognised actuarial loss / (gain)	(10)	(7)	(12)	1
Unrecognised past service cost	(71)[3]	(38)	5	
Net obligation recognised	**251**	**225**	**22**	**22**

(1) total present value of obligation relating to lump-sum retirement benefits and pensions

(2) residual TF1 fund covering a portion of the obligation, reducing the present value of the TF1 obligation

(3) Most of this expense is due to the effect of the new lump-sum retirement benefit calculation rules contained in the new Collective Agreement for managers in the construction industry, which came into force on 1 January 2005.

Movement in balance sheet items

	Lump-sum retirement benefits		Pensions	
	2005	2004	2005	2004
Position at 1 January	**225**	**224**	**22**	**21**
Expense recognised	27	29	1	
Change in scope of consolidation	0	(29)	(1)	
Translation adjustment	0	0		
Transfers between items and other movements	(1)	1		1
Position at 31 December	**251**	**225**	**22**	**22**

Main actuarial assumptions used to measure lump-sum retirement benefit obligations

	31/12/2005	31/12/204
Discount rate (OAT TEC 10)	3.38% - 3.57%	3.6% - 3.57%
Mortality table	INSEE	INSEE
Retirement age		
- Managerial	60 / 63 years	60 / 63 years
- Technical, clerical & supervisory, site workers	60 years	60 years
Salary inflation rate	2% - 4.3%	2% - 4.3%

(1) including general inflation

Analysis by business segment at 31 December 2005

	Construction	Property	Roads	Media	Telecoms	Bouygues SA & other activities	Total
Net lump-sum retirement benefit expense	8	1	10	2	3	3	27
Non-current provisions (balance sheet):							
- lump-sum retirement benefits	63	6	118	26	20	18	251
- pensions	1		21				22

Analysis by geographical area at 31 December 2005

	France	European Union	Africa	Asia-Pacific	Americas	Total
Net lump-sum retirement benefit expense(1)	23		1	3		27
Non-current provisions (balance sheet):						
- lump-sum retirement benefits	232		13	5	1	251
- pensions(2)		19			3	22

(1) Pension expense for 2005 is approximately 1 million euros.

(2) discount rate and expected return on plan assets: see Note 2

20.3. Employee share ownership

20.3.1. Stock options

■ Securities giving access to the share capital

Share price on 30 December 2005: 41.30 euros

PLAN	Options outstanding on 31 December 2005	Date of grant	Earliest normal exercise date	Earliest employee savings plan	Exercise price (€)
1999.04	628,320	20/04/1999	20/04/2004	-	18.35
1999.07	943,607	06/07/1999	06/07/2004	-	21.01
1999.11	156,700	04/11/1999	04/11/2004	-	25.18
2000.07	1,277,227	04/07/2000	04/07/2005	-	58.74
2001.03	1,990,531	27/03/2001	27/03/2005	-	33.47
2001.07	1,676,894	03/07/2001	03/07/2005	-	32.81
2001.09	400,000	18/09/2001	18/09/2005	-	28.67
2002.06	3,365,417	25/06/2002	25/06/2006	25/06/2003	23.41
2002.12	588,447	17/12/2002	17/12/2006	17/12/2003	23.00
2003.06	3,388,884	17/06/2003	17/06/2007	17/06/2004	19.37
2004.03	3,583,693	15/03/2004	15/03/2008	15/03/2005	25.15
2005.06	2,954,000	21/06/2005	21/06/2009	21/06/2006	31.34

The total number of options outstanding (11,351,815) comprises:

1) options legally exercisable at 31 December 2005, either by normal exercise or by partial exercise ahead of the normal exercise date under the terms of the employee savings plan (applies to plans granted from June 2002 onwards),

2) options effectively exercisable at 31 December 2005, i.e. options that are in the money (exercise price below the closing share price at the balance sheet date of 41.30 euros).

NOTE 21: DISCLOSURES ON RELATED PARTIES AND REMUNERATION OF DIRECTORS / SENIOR EXECUTIVES

21.1. Related-party disclosures

	Expenses		Income		Receivables		Liabilities	
	2005	2004	2005	2004	31/12/05	31/12/04	31/12/05	31/12/04
Parties with an ownership interest (SCDM)	6				1			
Joint ventures	99	89	177	135	74	58	76	53
Associates	13	9	103	59	38	6	18	12
Other related parties	17	22	5	20	23	38	33	36
Total	**135**	**120**	**285**	**214**	**136**	**102**	**127**	**101**
Maturity								
Less than 1 year					106	90	125	101
1 to 5 years					11	12	2	
More than 5 years					19			
includes: impairment of doubtful receivables (primarily non-consolidated companies)					49	48		

21.2. Remuneration and benefits paid to directors and senior executives

These disclosures cover members of the Group's Executive Committee who were in post on 31 December 2005.

Direct remuneration: 19,461,428 euros, including basic remuneration of 8,086,300 euros, 10,846,500 euros of exceptional variable remuneration paid in 2006 on the basis of 2005 performance, and 528,628 euros of directors' fees. Directors' fees paid to non-executive directors and non-voting supervisors amounted to 440,283 euros.

Short-term benefits: None

Post-employment benefits: Members of the Executive Committee belong to a top-up retirement benefit plan based on 0.92% of their reference salary for each year's membership of the plan. This plan is contracted out to an independent insurance company. Contributions paid into the fund managed by the insurance company amounted to 6,400,000 euros in 2005.

Long-term benefits: None

Termination benefits: These comprise lump-sum retirement benefits of 669,216 euros.

Share-based payment: 700,00 stock options were granted on 21 June 2005 at an exercise price of 31.34 euros. The earliest exercise date is 21 June 2009, and the expense recognised in the year ended 31 December 2005 is 2.22 million euros.

NOTE 22: ADDITIONAL CASH FLOW STATEMENT INFORMATION

22.1. Cash flows of acquired and divested subsidiaries

Breakdown by business segment of net cash flows resulting from acquisitions and divestments of subsidiaries

Acquired / divested subsidiaries	Construction	Property	Roads	Media	Telecoms	Bouygues SA & other activities	Total 12/2005
Cash and equivalents	20	11	(21)	(14)		(24)	**(28)**
Inventories	(2)	(5)	(25)	3		5	**(24)**
Trade receivables	(32)	(23)	(98)	(8)		56	**(105)**
Non-current assets	(14)		(20)	52		74	**92**
Goodwill	(30)		(77)	(73)			**(180)**
Trade payables	(4)	19	112	13		(71)	**69**
Long-term debt		(1)	28			(80)	**(53)**
Non-current provisions	1		9	(1)		(30)	**(21)**
Net acquisition cost	**(61)**	**1**	**(92)**	**(28)**	**0**	**(70)**	**(250)**
Cash acquired or divested	(20)	(11)	21	14		24	**28**
Net debt related to long-term investments			(33)			976	**943**
Net cash flow resulting from acquisitions and divestments of subsidiaries	**(81)**	**(10)**	**(104)**	**(14)**	**0**	**930**	**721**

22.2. Investing and financing transactions with no cash consideration

- **Bouygues SA's interest in Bouygues Telecom:**

Bouygues SA / BNP Paribas: reciprocal promise to buy / sell a 6.5% interest in Bouygues Telecom (see Note 1.5, Significant Events)
This transaction generated no cash consideration during 2005 and hence is not included in the cash flow statement.

NOTE 23: AUDITORS' FEES

The table below shows fees paid to the auditors (and member firms of their networks) responsible for the audit of the consolidated financial statements of Bouygues and fully-consolidated companies, as expensed through the income statement in 2005.

Engagement (in thousands of euros)	**Mazars & Guérard network**			**Ernst & Young network**			**Other firms[1]**			**Total expense**	
	2005	**%**	**2004**	**2005**	**%**	**2004**	**2005**	**%**	**2004**	**2005**	**2004**
A - Audit											
Audit of consolidated and individual company financial statements	3,454	95	4,327	3,000	90	2,900	6,600	84	7,403	13,054	14,630
Related engagements	165	5	37	214	7	0	320	4	75	699	112
Sub-total 1	**3,619**	**100**	**4,364**	**3,214**	**97**	**2,900**	**6,920**	**88**	**7,478**	**13,753**	**14,742**
B - Other services											
Company law, tax, employment law			64	53	2	148	856	11	185	909	397
Information technology			0	0	0	0		0	11	0	11
Internal audit			76	0	0	0		0	0	0	76
Other			113	52	1	93	78	1	96	130	302
Sub-total 2			**253**	**105**	**3**	**241**	**934**	**12**	**292**	**1,039**	**786**
Total fee expense	**3,619**	**100**	**4,617**	**3,319**	**100**	**3,141**	**7,854**	**100**	**7,770**	**14,792**	**15,528[2]**

(1) In the interests of comprehensiveness, this table includes fees paid to other firms.

(2) includes 1,576 relating to Saur, divested at end 2004

NOTE 24: CHANGES IN SCOPE OF CONSOLIDATION AND HELD-FOR-SALE OPERATIONS

■ Divestment of Saur

At end 2004, Bouygues signed an agreement with the PAI partners investment fund to sell its entire interest in Saur to Novasaur (formerly Gaillon), a holding company, for 1,031 million euros. The sale was completed after approval from the competition authorities in February 2005.
Bouygues made a capital gain of 213 million euros, net of tax.
The results of Saur for the year ended 31 December 2004 were included in "Net profit of discontinued and held-for-sale operations" in the income statement.

■ TPS: in process of divestment

Because the divestment of TPS is in process, income and expenses relating to TPS for the years ended 31 December 2004 and 2005 are shown separately on the line "Net profit of discontinued and held-for-sale operations".

■ Impact of TPS on the balance sheet at 31 December 2005 and the income and cash flow statements for 2004 and 2005:

Cash flow statement	2005	2004
Opening cash and equivalents	**3**	**3**
Operating activities	34	48
Investing activities	(24)	(7)
Financing activities	(70)	(41)
Effect of changes in exchange rates & other		
Cash and equivalents at 31 December	**(57)**	**3**

Assets and liabilities of discontinued and held-for-sale operations are as follows:

	12/2005
Non-current assets	
Property, plant and equipment	46
Intangible assets	7
Goodwill	420
Other non-current assets	
Deferred tax assets and long-term tax receivables	4
Current assets	
Inventories	30
Trade receivables	44
Tax asset (receivable)	(2)
Other current assets	72
Cash and equivalents	(57)
Financial instruments (hedging of fair-value financial liabilities)	
Other current financial assets	
Total assets of discontinued and held-for sale operations (A)	**564**
Non-current liabilities	
Non-current debt	10
Non-current provisions	
Deferred tax liabilities and long-term tax liabilities	1
Current liabilities	
Current debt	38
Current taxes payable	
Trade payables	125
Other current liabilities	176
Overdrafts and short-term bank borrowings	
Financial instruments (hedging of fair-value financial liabilities)	
Other current financial liabilities	
Total liabilities of discontinued and held-for sale operations (B)	**350**
Net assets divested (A - B)	**214**

Income and expenses generated by discontinued and held-for-sale operations are as follows:

	2005	2004
Sales	**365**	**348**
Operating profit	**17**	**2**
Cost of net debt	**(3)**	**(3)**
Other financial income and expenses	1	(2)
Income tax expense	(1)	1
Net profit of discontinued or held-for-sale operations	**14**	**(2)**

NOTE 25: PRINCIPAL EXCHANGE RATES

Convention: 1 local currency unit = X euros

Country	Currency unit	Closing rate		Annual average rate	
		31/12/05	31/12/04	2005	2004
EUROPE					
Denmark	Danish krone	0.134039	0.134430	0.134183	0.134419
United Kingdom	Pound sterling	1.459215	1.418339	1.464040	1.472058
Hungary	Hungarian forint	0.003955	0.004066	0.004023	0.003990
Poland	Polish zloty	0.259067	0.244828	0.248636	0.221370
Czech Republic	Czech koruna	0.034483	0.033563	0.032826	0.031354
Romania	Romanian leu	0.271724	0.253872	0.275932	0.247291
Switzerland	Swiss franc	0.643045	0.648130	0.646064	0.647819
NORTH AMERICA					
United States	US dollar	0.847673	0.734160	0.807765	0.802472
Canada	Canadian dollar	0.728597	0.609162	0.666800	0.618675
REST OF THE WORLD					
Morocco	Moroccan dirham	0.091672	0.089226	0.090819	0.090685
Thailand	Thai baht	0.020645	0.018816	0.020027	0.019924
Hong Kong	Hong Kong dollar	0.109321	0.094446	0.103872	0.103026
African Financial Community	CFA franc	0.001524	0.001524	0.001524	0.001524
South Africa	South African rand	0.133973	0.130044	0.126888	0.125909

NOTE 26: LIST OF CONSOLIDATED COMPANIES AT 31 DECEMBER 2005

Companies	City / Country	% interest		% direct and indirect control[1]	
		2005	2004	2005	2004
A - TELECOMS / MEDIA					
1 – TELECOMS - BOUYGUES TELECOM group					
Full consolidation					
Bouygues Telecom S.A. and its subsidiaries	Boulogne-Billancourt, France	89.55	83.05		
2. COMMUNICATION - TF1 group					
Full consolidation					
Télévision Française 1 SA	Boulogne-Billancourt, France	42.93	41.50		
Ciby Droits Audiovisuels SA	Boulogne-Billancourt, France	42.93	41.50	100.00	100.00
La Chaîne Info (LCI) SCS	Boulogne-Billancourt, France	42.93	41.50	100.00	100.00
Téléshopping SA	Boulogne-Billancourt, France	42.93	41.50	100.00	100.00
TF1 International SA	Boulogne-Billancourt, France	42.93	41.50	100.00	100.00
TF1 Publicité SA	Boulogne-Billancourt, France	42.93	41.50	100.00	100.00
TF1 Vidéo SA	Boulogne-Billancourt, France	42.93	41.50	100.00	100.00
Une Musique SA	Boulogne-Billancourt, France	42.93	41.50	100.00	100.00
e-TF1	Boulogne-Billancourt, France	42.93	41.50	100.00	100.00
EUROSPORT and its subsidiaries	Boulogne-Billancourt, France	42.93	41.50	100.00	100.00
Proportionate consolidation					
Télévision Par Satellite (TPS) SNC	Issy-les-Moulineaux, France	28.33	27.39	66.00	66.00
Associates (Equity Method)					
Publications Metro France	Paris, France	14.72	14.23	34.30	34.30
B - CONSTRUCTION					
1. CONSTRUCTION - BOUYGUES CONSTRUCTION group					
Full consolidation					
Bouygues Construction SA	Saint-Quentin-en-Yvelines, France	99.97	99.97		
Bouygues Bâtiment Île-de-France					
Bouygues Bâtiment Île-de-France SA	Saint-Quentin-en-Yvelines, France	99.97	99.97		
Bâtiment France subsidiaries					
Bati Renov SA	Orly, France	99.88	99.88		
Brézillon SA	Noyon, France	99.33	99.33		
Sodéarif SA	Saint-Quentin-en-Yvelines, France	99.96	99.96		
Bouygues Bâtiment International					
Bouygues Bâtiment International SA	Saint-Quentin-en-Yvelines, France	99.97	99.97		
Bâtiment International subsidiaries					
Bouygues Hungaria	Budapest, Hungary	99.97	99.97		
Bouygues Polska	Warsaw, Poland	99.97	99.97		
Bouygues Thaï Ltd	Bangkok, Thailand	48.98	48.98		
Bymaro	Casablanca, Morocco	99.95	99.95		
DTP Singapour Pte. Ltd	Singapore	99.97	99.97		

(1) where percentage control differs from percentage interest

Companies	City / Country	% Interest		% Direct and indirect control[(1)]	
		2005	2004	2005	2004
1. CONSTRUCTION - BOUYGUES CONSTRUCTION group					
Entreprises France-Europe subsidiaries					
DV Construction SA	Mérignac, France	99.97	99.97		
GTB Bouyer Duchemin SA	Nantes, France	99.97	99.97		
GFC Construction SA	Caluire-et-Cuire, France	99.97	99.97		
Norpac SA	Villeneuve-d'Ascq, France	99.97	99.97		
Pertuy Construction SA	Maxeville, France	99.97	99.97		
Quille SA	Rouen, France	99.97	99.97		
Acieroïd SA and its subsidiaries (formerly Acieroïd Espagne)	Barcelona, Spain	99.97	99.97		
Bouygues UK Ltd and its subsidiaries	London, United Kingdom	99.97	99.97		
Losinger Construction AG	Bern, Switzerland	99.97	99.97		
Bouygues Travaux Publics					
Bouygues TP SA	Saint-Quentin-en-Yvelines, France	99.97	99.97		
Basil Read Ltd and its subsidiaries	Johannesburg, South Africa	Divested	70.61		
Prader Losinger SA	Sion, Switzerland	99.64	99.64		
Prader Zurich	Zurich, Switzerland	99.90	99.90		
Other subsidiaries Bouygues Construction					
DTP Terrassement SA	Saint-Quentin-en-Yvelines, France	99.97	99.97		
Dragages et TP (Hong-Kong) Ltd	Hong Kong, China	99.97	99.97		
VSL International Ltd et ses filiales	Bern, Switzerland	99.88	99.88		
Groupe Entreprise Transport et Distribution d'Électricité (ETDE)					
ETDE SA and its regional subsidiaries	Saint-Quentin-en-Yvelines, France	99.97	99.97		
Axione and its subsidiaries	Malakoff, France	99.97	-		
ETDE Réseaux et Communication SA	Villebon-sur-Yvette, France	99.97	99.97		
Exprimm SA	Saint-Quentin-en-Yvelines, France	99.97	99.97		
Gallet Delage SA	Kremlin-Bicêtre, France	99.97	99.97		
Mainguy SAS	Vertou, France	99.97	99.97		
Serma SAS and its subsidiaries	Champgorgueil, France	99.97	99.97		
Stefal and its subsidiaries	Montrouge, France	99.97	-		
Transel SAS	Saint-Quentin-en-Yvelines, France	99.97	99.97		
David Webster Lighting and its subsidiaries	Hertfordshire, United Kingdom	99.97	-		
Ecovert FM	London, United Kingdom	99.97	99.97		
Icel Maidstone Ltd	Sittingbourne, United Kingdom	99.97	-		
Société Gabonnaise d'Électrification et de Canalisation (Sogec)	Libreville, Gabon	84.39	84.39		
Associates (Equity Method)					
Bouygues Bâtiment					
Consortium Stade de France SA	La Plaine-Saint-Denis, France	33.32	33.32		
Bouygues TP					
Adelac SAS	Archamps, France	39.19	-		
Autoroute de liaison Seine-Sarthe SA	Versailles, France	33.16	44.83		
Aka Holding	Budapest, Hungary	25.12	25.12		
Bina Fincom	Zagreb, Croatia	50.98	50.98		

Companies	City / Country	% Interest		% Direct and indirect control[(1)]	
		2005	2004	2005	2004
2. ROADS - COLAS group					
Full consolidation					
Colas SA and its regional subsidiaries (Colas, Screg and Sacer)	Boulogne-Billancourt, France	96.42	96.27		
Grands Travaux Océan Indien (GTOI) SA	Le Port (La Réunion), France	96.41	96.26	99.99	99.99
Spac SA and its subsidiaries	Clichy, France	96.41	96.27	100.00	99.99
Seco-Rail	Chatou, France	96.41	96.27	100.00	99.90
Somaro SA	Chatou, France	96.41	96.27	100.00	99.99
Colas Guadeloupe	Baie Mahault, France	96.41	96.26	100.00	99.99
Colas Martinique SA	Le Lamentin, France	96.41	96.26	100.00	99.99
Smac Acieroïd SA and its subsidiaries	Boulogne-Billancourt, France	96.41	96.27	100.00	99.99
Colas Hungaria and its subsidiaries	Budapest, Hungary	96.41	96.27	100.00	100.00
Colas Danmark	Virum, Denmark	96.42	96.27	100.00	100.00
Colas SA and its subsidiaries	Lausanne, Switzerland	95.66	95.51	99.22	99.21
Colas Inc. and its subsidiaries	Morristown, New Jersey, USA	96.42	96.27	100.00	100.00
Colas Maroc and its subsidiaries	Casablanca, Morocco	96.35	96.20	100.00	99.93
Colas UK Ltd and its subsidiaries	Rowfant, Crawley, United Kingdom	96.42	96.27	100.00	100.00
Strada	Sroda-Wielkopol, Poland	96.42	56.10	100.00	58.27
Société routière Colas Gabon	Libreville, Gabon	86.67	86.54	89.90	89.89
Screg Belgium and its subsidiaries	Brussels, Belgium	96.41	96.27	100.00	100.00
Proportionate consolidation					
Carrières Roy SA	Saint-Varent, France	48.19	48.12	49.98	49.98
Associates (Equity Method)					
Cofiroute SA	Sèvres, France	16.07	16.05	16.67	16.67
3. PROPERTY - BOUYGUES IMMOBILIER group					
Full consolidation					
Bouygues Immobilier	Boulogne-Billancourt, France	100.00	100.00		
SNC Bouygues Immobilier Entreprises Île-de-France	Boulogne-Billancourt, France	100.00	100.00		
SNC Bouygues Immobilier Paris	Boulogne-Billancourt, France	100.00	100.00		
SNC Bouygues Immobilier Est	Strasbourg, France	100.00	100.00		
SLC and its subsidiaries	Lyon, France	100.00	100.00		
Parque Empresarial Cristalia SL	Madrid, Spain	100.00	100.00		
SA Bouygues Inmobiliaria	Madrid, Spain	100.00	100.00		

C – OTHER SUBSIDIARIES

Companies	City / Country	% Interest 2005	% Interest 2004	% Control 2005	% Control 2004
Full consolidation					
Finagestion and its subsidiaries (Africa)	Saint-Quentin-en-Yvelines, France	100.00	100.00		
Bouygues Relais SNC	Saint-Quentin-en-Yvelines, France	100.00	100.00		
Challenger SNC	Saint-Quentin-en-Yvelines, France	100.00	100.00		
Société française de participation et gestion (SFPG) SA and its subsidiaries	Paris, France	99.76	99.76		
Challenger Reassurance	Luxembourg	99.99	99.99		
Uniservice	Geneva, Switzerland	99.99	99.99		

(1) where percentage control differs from percentage interest

PARENT COMPANY FINANCIAL STATEMENTS
in French GAAP

PARENT COMPANY BALANCE SHEET AT 31 DECEMBER

Assets (in millions of euros)

	Gross 2005	Amortisation, depreciation and impairment: 2005	Net 2005	Net 2004	Net 2003
Intangible assets	2	1	1		1
Property, plant and equipment					
Long-term investments	6,936	9	6,927	7,277	7,823
Holdings in subsidiaries & affiliates	*6,835*	*4*	*6,831*	*6,726*	*7,187*
Loans / advances to subsidiaries & affiliates	*68*	*1*	*67*	*541*	*623*
Other	*33*	*4*	*29*	*10*	*13*
NON-CURRENT ASSETS	**6,938**	**10**	**6,928**	**7,277**	**7,824**
Inventories and work in progress					
Advances and payments on account					
Trade debtors	18		18	19	20
Other debtors(1)	333	1	332	879	33
Short-term investments	2,436		2,436	2,507	1,578
Cash	9		9	9	10
CURRENT ASSETS	**2,796**	**1**	**2,795**	**3,414**	**1,641**
Other assets	28		28	26	13
TOTAL ASSETS	**9,762**	**11**	**9,751**	**10,717**	**9,478**

(1) 31 December 2004: includes amount receivable from PAI partners on the sale of Saur

Liabilities (in millions of euros)

	Net 2005	Net 2004	Net 2003
Share capital	337	333	333
Share premium and reserves	2,708	2,632	4,348
Retained earnings	276	42	3
Net profit for the year	261	586	216
Restricted provisions			
SHAREHOLDERS' EQUITY	**3,582**	**3,593**	**4,900**
Provisions	137	187	177
Debt	4,101	3,345	2,978
Advances and progress payments received			
Trade creditors	21	47	28
Other creditors(2)	87	1,782	19
LIABILITIES	**4,346**	**5,361**	**3,202**
BANK OVERDRAFTS AND CURRENT ACCOUNTS	**1,823**	**1,763**	**1,375**
Other liabilities			1
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**9,751**	**10,717**	**9,478**

(2) 31 December 2004: includes exceptional payout made on 7 January 2005

PARENT COMPANY FINANCIAL STATEMENTS
in French GAAP

INCOME STATEMENT (in millions of euros)

	2005	2004	2003
SALES	**64**	**68**	**62**
Other operating revenues	18	11	10
Purchases and changes in inventory			
Taxes other than income tax	(2)	(2)	(2)
Personnel costs	(46)	(52)	(50)
Other operating expenses	(44)	(42)	(33)
Depreciation, amortisation, impairment and provisions, net	(13)	(13)	(11)
OPERATING LOSS	**(23)**	**(30)**	**(24)**
Financial income and expenses	209	343	189
PROFIT BEFORE TAX AND EXCEPTIONAL ITEMS	**186**	**313**	**165**
Exceptional items	113	218	(7)
Income tax expense	(38)	55	58
NET PROFIT	**261**	**586**	**216**

CASH FLOW STATEMENT (in millions of euros)

	2005	2004
A - OPERATING ACTIVITIES		
Cash flow (from operations, before changes in working capital)	**213**	**294**
Net profit for the year	261	586
Amortisation, depreciation and impairment of non-current assets, net	(12)	(154)
Charges to / reversals of provisions, net	(52)	9
Transfers of deferred charges	(5)	(6)
Gain / losses on disposals of non-current assets	21	(141)
Change in working capital	**(305)**	**71**
Current assets	(249)	(48)
Current liabilities	(56)	119
NET CASH GENERATED BY / (USED IN) OPERATING ACTIVITIES	**(92)**	**365**
B - INVESTING ACTIVITIES		
Increases in non-current assets		
Acquisitions of intangible assets and property, plant and equipment		
Acquisitions of long-term investments	(158)	(45)
	(158)	**(45)**
Disposals of non-current assets[(1)]	26	802
Investment, net	**(132)**	**757**
Other long-term financial investments, net	475	88
Amounts receivable / payable in respect of non-current assets, net[(1)]	795	(797)
NET CASH GENERATED BY / (USED IN) INVESTING ACTIVITIES	**1,138**	**48**
C - FINANCING ACTIVITIES		
Change in shareholders' equity[(2)]	(18)	(1,727)
Exceptional payout made in 2005[(2)]	(1,664)	1,664
Dividends paid	(249)	(166)
Change in debt	754	357
NET CASH GENERATED BY / (USED IN) FINANCING ACTIVITIES	**(1,177)**	**128**
CHANGE IN NET CASH POSITION (A+B+C)	**(131)**	**541**
Cash position at 1 January	753	212
Other non-monetary flows		
Change during the year	(131)	541
NET CASH POSITION AT 31 DECEMBER	**622**	**753**

(1) 2004: includes €796 million receivable from PAI partners on sale of Saur, paid 15 February 2005
(2) 2004: includes €1,664 million exceptional payout, paid 7 January 2005

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

Contents

Figures in millions of euros

NOTE 1: SIGNIFICANT EVENTS OF THE YEAR

1.1 Holdings in subsidiaries and affiliates

1.1.1 Significant increases:

		% interest as at 31/12/2005	31/12/2004
• Colas	€34m	96.42	95.56
• TF1	€65m	42.89	41.45
• Novasaur	€15m	9.88	-

1.1.2 Bouygues SA interest in Bouygues Telecom

The BNP Paribas Group having sought to enhance the liquidity of its 6.5% stake in Bouygues Telecom, Bouygues granted BNP Paribas a promise to buy this stake, exercisable at any time between 1 September 2005 and 31 July 2007 at a price of between €477 million and €495 million depending on the date of exercise.

In return, BNP Paribas granted Bouygues a promise to sell this interest to Bouygues, exercisable between 1 September 2007 and 30 September 2007 at a price of €497 million.

If the cumulative amount of dividends paid by Bouygues Telecom to the BNP Paribas Group exceeds €4.6 million, the prices indicated above will be reduced by the amount of dividend paid.

1.1.3 Significant divestments

• **Saur:**

The effects of the sale of Saur were included in the financial statements as at 31 December 2004. The amount of €796 million receivable from PAI partners, included in "Other receivables" as at that date, was received in February 2005.

Following the sale, Bouygues held 15% of Saur's holding company, Novasaur (formerly Financière Gaillon).

In 2005, the interest of Bouygues in Novasaur was reduced from 15% to 9.9%.

- **Sale of CATC and Cica** to Sogeby, a 100%-owned subsidiary of Bouygues SA.
- **Sale of Fibysa** to Finagestion, a 100%-owned subsidiary of Bouygues SA.
- **Liquidation of the following companies: Bymages 4, Financière des Saules, RCS.**

1.2 Treasury shares

Acquisition of 8,361,649 treasury shares at a value of €320 million, classified in "Other long-term investments". These shares were then cancelled via capital reductions in June and December 2005 (Board decisions of 21 June and 13 December 2005).

105,000 treasury shares held under a liquidity agreement as at 31 December 2005.

1.3 SNC Challenger

On the expiry of the construction lease for the Challenger building (December 2005), SNC Challenger, the lessor, realised a gross gain of €102.91 million, of which €102.90 million was recognised in the Bouygues SA income statement (in line with its 99.99% interest in SNC Challenger).

In line with standard practice, this gain represents the residual value of the building on expiry of the lease as estimated at the time of signature of the lease, equivalent to the cost of construction less the depreciation that would have been recognised by the lessor if the building had been recorded as asset in its balance sheet over the term of the lease.

The tax arising on this gain has been spread over 15 years, and is reflected in the books of Bouygues SA by the recognition of a provision for income taxes of €37.9 million.

1.4. Advances to subsidiaries and affiliates

- Bouygues Telecom: reimbursement of advances amounting to €498 million.
- Finagestion: funds of €23.6 million advanced during the year.

1.5. Bond issue

1.5.1 Bond issue carried out in July 2005

• Amount:	€750 million
• Rate:	4.25%
• Issue priced at:	99.804%

- Repayment terms: repayable in full at par on 22 July 2020.

1.5.2 Significant events subsequent to 31 December 2005

A €250 million bond issue supplementary to the July 2005 issue was launched in January 2006 on the same terms (issue priced at 97.203%).

1.6 Net financial income

Net financial income amounted to €209 million, comprising (in millions of euros):

- Dividends received and share of partnership profits	369(1)
- Net interest expense	(168)
- Net change in impairment and provisions relating to subsidiaries	(5)
- Gains on disposals of short-term investment securities	12
- Other items	1

(1) includes €103 million arising on the expiry of the construction lease for the Challenger building

NOTE 2: ACCOUNTING POLICIES

The financial statements have been prepared in accordance with the current provisions of French law.

2.1. Intangible assets

Incorporation costs and research and development costs are expensed in full as incurred.

As a general principle, software acquired from third parties is recognised as an intangible asset and amortised on a straight-line basis over a maximum of five years.

2.2. Property, plant and equipment

Property, plant and equipment is recognised at acquisition cost net of reclaimable taxes. Transaction costs that do not form part of the market value of the acquired asset are expensed as incurred.

Own production capitalised is recognised at production cost plus a percentage of overheads.

Depreciation is calculated on a straight-line basis, according to the nature and estimated useful life of each asset component. Where plant and equipment is eligible for accelerated tax depreciation, an additional depreciation charge is recognised in the income statement.

The application from 1 January 2005 of Regulations 2002-10 and 2004-06 of the French national accounting standard-setter, the *Conseil National de la Comptabilité* (CNC), relating respectively to depreciation and impairment of assets and to the recognition and measurement of assets, had no material effect on the financial statements.

Estimated useful lives and depreciation methods

Buildings	40 years	straight-line
Fixtures and fittings	10 years	straight-line
Computer hardware	3 years	straight-line
Office furniture	10 years	straight-line

2.3. Long-term investments

2.3.1. Holdings in subsidiaries and affiliates and other long-term investment securities

Holdings in subsidiaries and affiliates and other long-term investment securities are recognised at acquisition cost. Transaction costs that do not form part of the market value of the acquired asset are expensed as incurred.

2.3.2. Value in use of holdings in subsidiaries and affiliates

Holdings in subsidiaries and affiliates and other long-term investment securities are also measured at value in use, determined using objective criteria (stock market price for quoted companies, shareholders' equity, profitability), forecast data (economic outlook, earnings prospects), or any other information indicative of the actual value of the asset.

If value in use is less than cost, a provision for impairment is recorded to cover the difference.

2.3.3. Long-term receivables

Long-term receivables are shown in the balance sheet at face value. If the realisable value (taking into account the probability of recovery) is less than the carrying amount, a provision for impairment is recorded to cover the difference.

2.4. Receivables and payables expressed in foreign currencies

Receivables and payables expressed in foreign currencies are translated at the exchange rate prevailing on the balance sheet date, or at the hedged rate if the item is covered by a currency hedge.

Unrealised foreign exchange gains and losses are taken to suspense accounts in the balance sheet; unrealised losses are recognised in the income statement by means of a provision.

2.5. Short-term investments

The short-term investment portfolio is measured in accordance with French accounting standards.

The value of equity securities, negotiable debt instruments and money-market mutual funds was determined by reference to the last known price on 31 December 2005. In the case of quoted securities, the average quoted stock market price over the last month of the financial year was used.

2.6. Other assets

Deferred charges mainly comprise the portion of bond issue costs not covered by the issue premium. In the case of convertible bonds, any unamortised issue costs relating to bonds converted into shares are offset against the share premium on the newly-issued shares.

Bond redemption premium relates to the bond issues of July 1999, November 2003, October 2004 and July 2005, which were priced respectively at 99.854%, 99.348%, 99.05% and 99.804% of the nominal value.

2.7. Provisions

These mainly comprise:

- provisions for income taxes, in particular taxes due in respect of rolled-over capital gains and split taxes;
- provisions for additional risks relating to loss-making subsidiaries, established where the negative net assets of a subsidiary are not wholly covered by provisions for impairment of Bouygues SA's investment in and loans and / or advances to that subsidiary;
- provisions for charges, including retirement benefit obligations. With effect from 1 January 2005, Bouygues SA has adopted the CNC recommendation that these obligations be recognised as an expense. The effect of this change of accounting method was €5.2 million, and was offset against retained earnings.

2.8. Hedging instruments

Bouygues SA uses hedging instruments to limit the impact on the income statement of fluctuations in exchange rates and interest rates.

These instruments share the following characteristics:

- they are limited to the following products: forward currency purchases and sales, currency swaps and purchases of currency options for currency risk hedging purposes; and interest rate swaps, future rate agreements, and purchases of caps and tunnels for interest rate risk hedging purposes;
- they are used solely for hedging purposes;
- they are contracted solely with high-quality French and foreign banks;
- they carry no liquidity risk in the event of a downturn.

Gains and losses on financial instruments used for hedging purposes are recognised in the income statement symmetrically with gains and losses arising on the hedged item.

2.9. Retirement benefit obligations

Methods and assumptions used in calculating the obligation:

- projected unit credit method based on final salary;
- benefits as defined in agreements or established by custom within the company, taking into account the new collective agreement for managerial grade staff applicable from 1 January 2005;
- obligation adjusted to comply with CNC recommendations of July 2000, April 2003 and March 2004;
- vested rights as of 31 December 2005;
- employees classified in groups with similar characteristics in terms of grade, age and length of service;
- average monthly salary for each employee group, uplifted by a percentage to reflect the applicable rate of employer's social security charges;
- salary inflation rate: 4.30%;
- discount rate: 3.57%;
- average employee turnover rate calculated on the basis of average number of leavers in the years 1999 to 2004;
- life expectancy by reference to 1993 mortality tables.

2.10. Consolidation

Bouygues SA is the ultimate parent company in the consolidation.

NOTE 3: NON-CURRENT ASSETS

	Balance at 1 Jan. 2005	Increases	Decreases	Balance at 31 Dec. 2005
Intangible assets				
Software	2			2
Other				
Gross value	**2**			**2**
Accumulated amortisation	(1)			(1)
Net value	**1**			**1**
Property, plant and equipment				
Land and buildings				
Other				
Gross value				
Accumulated depreciation				
Net value				
Long-term investments				
Holdings in subsidiaries & affiliates	6,743	123	31	6,835
Loans / advances to subsidiaries & affiliates(1)	543	29	504	68
Other	14	386	367	33
Gross value	**7,300**	**538**	**902**	**6,936**
Impairment	(24)		(15)	(9)
Net value	**7,276**	**538**	**887**	**6,927**
Total net value	**7,277**	**538**	**887**	**6,928**

	Gross value
(1) of which amounts falling due after more than one year	
Loans / advances to subsidiaries & affiliates	*68*

NOTE 4: CURRENT ASSETS BY MATURITY

	Gross	< 1 year	> 1 year
Advance payments and payments on account			
Trade debtors	27	21	6
Other debtors	324	280	44
Total	**351**	**301**	**50**

NOTE 5: OTHER ASSETS

	Balance at 1 Jan. 2005	Increases in the year	Amortisation for the year	Balance at 31 Dec. 2005	*amount due in < 1 year*
Bond issue costs	11	5	2	14	2
Total deferred charges	**11**	**5**	**2**	**14**	**2**
Bond redemption premium	14	1	2	13	2
Other	1	1	1	1	1
Total	**26**	**7**	**5**	**28**	**5**

NOTE 6: CHANGES IN SHAREHOLDERS' EQUITY

Shareholders' equity at 31 December 2004 (before appropriation of profits)	**3,593**
Profits appropriated to shareholders' equity	585
Dividends paid	(249)
Shareholders' equity after appropriation of profits	**3,929**
Changes in share capital	4
Changes in share premium and reserves	(613)
Net profit for the period	261
Shareholders' equity at 31 December 2005	**3,581**

NOTE 7: COMPOSITION OF SHARE CAPITAL

	Number of voting rights	Number of shares	Number of investment certificates	Total
Start of period	418,308,600	332,254,414	504,210	332,758,624
Movement during the period	5,423,643	4,034,615(1)	(30,343)	4,004,272
End of period	423,732,243	336,289,029	473,867	336,762,896
Par value:				**€1**
Maximum number of potentially dilutive shares:	21,427,587			

(1) Movements in number of shares during the period:

Increases:	*12,396,264*	*by exercise of stock options, conversion of investment certificates and Bouygues Confiance 3 plan*
Diminutions :	*1,048,873*	*by cancellation of treasury shares pursuant to the Board decision of 21 June 2005*
	7,312,776	*by cancellation of treasury shares pursuant to the Board decision of 13 December 2005*

NOTE 8: PROVISIONS

	Balance 1 Jan. 2005	Inter-account transfers	Charge for the year	Reversals during the year		Balance at 31 Dec. 2005
				Used	Unused	
Provisions for subsidiaries	1		1		1	1
Provisions for taxes	164	(1)	10	49	50	74
Other provisions	9		8	9		8
Provisions for risks	**174**	**(1)**	**19**	**58**	**51**	**83**
Provisions for charges	**12**		**54(1)**	**12**		**54**
Total	**186**	**(1)**	**73**	**70**	**51**	**137**
				121		
Provisions charged / reversed as operating items			16	12		
Provisions charged / reversed as financial items			7			
Provisions charged / reversed as exceptional items		(1)	50	109		
			73	**121**		

(1) includes €5 million for the provision for retirement benefit obligations recognised at 1 January 2005 and offset against retained earnings

NOTE 9: LIABILITIES BY MATURITY AT THE BALANCE SHEET DATE

Liabilities	Gross value	< 1 year	1 to 5 years	> 5 years
Debt				
Bond issues				
July 1999 bond issue(1)	512	512		
May 2002 bond issue2(2)	1,037	37	1,000	
November 2003 bond issue(3)	780	30		750
October 2004 bond issue(4)	1,008	8		1,000
July 2005 bond issue(5)	764	14		750
Bank borrowings				
Total debt	**4,101**	**601**	**1,000**	**2,500**
Trade creditors	**21**	**21**		
Other creditors	**87**	**85**	**2**	(6)
Bank overdrafts and current accounts	**1,823**	**1,823**		
Deferred income				
Total	**6,032**	**2,530**	**1,002**	**2,500**

Original amounts, excluding accrued interest

(1) July 1999 bond issue:
Amount: FRF 3,280 million, i.e. €500 million - rate: 4.875%
Redemption terms: redeemable in full on 3 July 2006 at par

(2) May 2002 bond issue:
Amount: €750 million in May 2002 and €250 million in December 2002 - rate: 5.875%
Redemption terms: redeemable in full on 15 May 2009 at par

(3) November 2003 bond issue:
Amount: €750 million - rate: 4.625%
Redemption terms: redeemable in full on 25 February 2011 at par

(4) October 2004 bond issue:
Amount: €1 billion - rate: 4.375%
Redemption terms: redeemable in full on 29 October 2014 at par

(5) July 2005 bond issue:
Amount: €750 million - rate: 4.250%
Redemption terms: redeemable in full on 22 July 2020 at par

(6) Tax due in full discharge on special long-term capital gains reserve

NOTE 10: DETAILS OF AMOUNTS INVOLVING RELATED COMPANIES

	Amount
Assets	
Long-term investments	6,903
Trade debtors	17
Other debtors	226
Cash and current accounts	
Total	**7,146**
Expenses	
Operating expenses	8
Financial expenses	23
Income tax expense	
Total	**31**

	Amount
Liabilities	
Debt	
Trade creditors	3
Other creditors	7
Bank overdrafts and current accounts	1,823
Total	**1,833**
Income	
Operating income	62
Financial income	377
Income tax credits	189
Total	**628**

NOTE 11: FINANCIAL INSTRUMENTS

11.1 Interest rate hedges

Amount outstanding at 31 December 2005 by maturity	2006	2007 - 2010	After	Total
Interest rate swaps				
On financial assets	300			300
On financial liabilities		200		200

11.2 Currency hedges

Amount outstanding at 31 December 2005 by currency	CHF	GBP	USD	Other	Total
Forward currency contracts					
Forward purchases					
Forward sales					
Currency swaps	37				37

The market value of the portfolio of hedging instruments at 31 December 2005 was + €11.9 million

11.3 Options

CALLS: At 31 December 2005, Bouygues SA held 5,339,650 call options on Bouygues shares (€51.3 million) and 0.358 calls in connection with the Bouygues Confiance 2 plan (immaterial).

NOTE 12: OFF BALANCE SHEET COMMITMENTS

		Amount of guarantee	of which related companies
Commitments given (contingent liabilities)			
Acquisitions of Bouygues SA shares		11	
Retirement benefit obligations		7	
Other commitments given	(1)	497	
Total		**515**	
Commitments received (contingent assets)			
Other commitments received	(1)	497	
Total		**497**	

(1) gross value of the BNP Paribas put option for Bouygues Telecom shares, valuation as at 21 June 2005

In the past, before the construction business was spun off into separate subsidiaries, Bouygues SA issued performance bonds in connection with its ordinary activities. Some of these performance bonds have been retained by the company, although the contracts were executed by its subsidiaries; they are not quantified or disclosed specifically unless they are liable to result in the Group being obliged to make a payment.

In such cases, a provision is recorded to cover the amount involved.

NOTE 13: SALES

Sales recorded by Bouygues SA mainly comprise shared costs recharged to subsidiaries.

NOTE 14: GROUP TAX ELECTION AND INCOME TAX EXPENSE

Bouygues made a group tax election in 1997 under article 223 A-U of the French General Tax Code; this election still applies.

In addition to Bouygues SA, the group tax election included 77 subsidiaries in 2005.

Each company in the tax group recognises its own income tax expense as though the group election is not in place; the parent company recognises any tax savings.

At the end of the period, Bouygues SA recognised net income tax expense, comprising:

	Short-term	Long-term	Total
Net income tax expense on			
Profit before tax and exceptional items	49		49
Other non-exceptional items: provision for split taxes	(38)		(38)
Exceptional items	(186)	(52)	(238)
	(175)	(52)	(227)
Tax gain from group tax election	183	6	189
(income tax received from profit-making subsidiaries in the tax group)			
Total	**8**	**(46)**	**(38)**

NOTE 15: CONTINGENT TAX POSITION

	At 1 January 2005		Movements in the year		At 31 December 2005	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Non-deductible expenses:						
Provision for income taxes	186		47	121	112	
Other provisions	9		16	8	17	
Total	**195**		**63**	**129**	**129**	
Expenses deducted for tax purposes, and income liable to tax but not recognised for accounting purposes						
Unrealised foreign exchange losses						
Unrealised foreign exchange gains						
Unrealised foreign exchange gains / losses, net						
Deferred charges						
Share of losses of general partnerships			7		7	
Capitalisation bonds		2	2	9		9
Bouygues Confiance 2 calls	3			3		
Other income and expenses	3	2	9	12	7	9
Total	**3**	**2**	**9**	**12**	**7**	**9**

NOTE 16: AVERAGE NUMBER OF EMPLOYEES DURING THE YEAR

	2005	2004
Managerial	148	173
Administrative / clerical, technical and supervisory	47	54
Total	**195**	**227**

NOTE 17: ADVANCES, LOANS AND REMUNERATION: DIRECTORS AND SENIOR EXECUTIVES

Remuneration of directors and senior executives:

- The total amount of direct and indirect remuneration of all kinds received from French and foreign companies by senior executives (CEO and deputy CEOs) was as follows: €3 million of basic remuneration, €3.8 million of variable remuneration paid in early 2006 based on 2005 performance, and €0.24 million of directors' fees.
- Directors' fees paid to members of the Board of Directors and non-voting supervisors: €0.5 million

NOTE 18: LIST OF INVESTMENTS AT 31 DECEMBER 2005

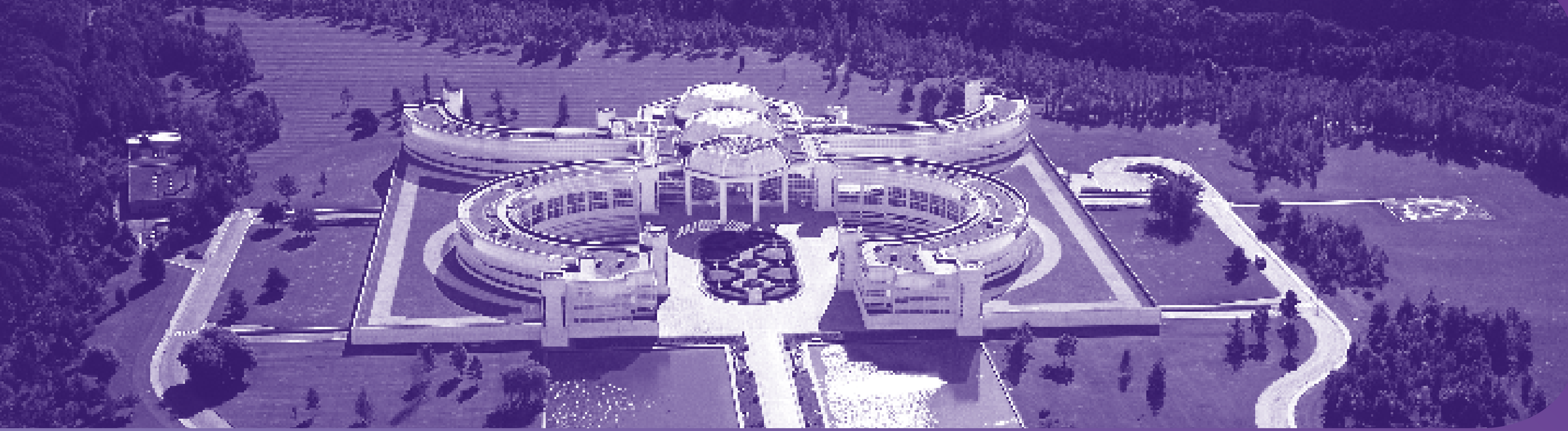
Holdings in subsidiaries and affiliates	Number of shares	%	Estimated value[1]	
TF1	91,796,565	42.885	2,152	(a)
Bouygues Telecom	33,260,254	82.198	4,122	
Colas	31,006,010	96.419	1,610	
Bouygues Immobilier	44,994	99.987	284	(b)
Bouygues Construction	1,705,126	99.935	414	(b)
Other investments			182	
Total holdings in subsidiaries and investments			**8,764**	
Negotiable debt instruments and money-market mutual funds			2,282	
Capitalisation bonds			132	(a)
Other investments			28	(a)
Total short-term investments			**2,442**	
Total investments			**11,206**	

(1) In most cases, this is the carrying amount in the balance sheet. The following values are stated if they are greater than the carrying amount:
(a) stock market value (closing price for equities, average price for the last month of the year for bonds)
(b) share of consolidated net assets

NOTE 19: LIST OF SUBSIDIARIES AND AFFILIATES

	Share capital[1]	Other shareholders' equity[1] [7]	%	Book value of investment[2] Gross	Net	Loans & advances	Guarantees[2]	Sales[2]	Net profit / (loss)[2]	Dividends received[2]	Comments
A - Detailed information											
1. Subsidiaries (interest more than 50%)											
France											
Bouygues Construction	128	286	99.935	59	59			6,131	175	50	[5]
Bouygues Immobilier	69	215	99.987	245	245			1,557	90	44	[5]
Bouygues Telecom	617	1,515	82.198	4,122	4,122			4,537	352		[5]
Bouygues Relais		1	98.947						1		
C2S			99.960	1	1			8			
Colas	48	1,403	96.419	1,611	1,611			9,540	307	104	[5]
Finagestion		2	99.838			67		274	(17)		[5]
SFPG			99.760						4		[6]
SNC Challenger		107	99.990	15	15			15	107		
Sotegi			99.760								[6]
Total				**6,053**	**6,053**	**67**		**22,062**	**1,019**	**198**	
Other countries											
Uniservice	51	17	99.990	32	32				4	3	
Total				**32**	**32**				**4**	**3**	
2. Affiliates (interest 10% or more, but less than 50%)											
France											
TF1	43	1,008	42.885	730	730			2,874	236	59	[5]
Novasaur	38	(38)	9.830	15	15						
Total				**745**	**745**			**2,874**	**236**	**59**	
Other countries											
Total				**-**	**-**						
B - Aggregate information											
3. Other subsidiaries											
France									(1)		[3]
Other countries				4				7			
4. Other affiliates											
France				1	1	1		38	1		[4]
Other countries											
Overall total				**6,835**	**6,831**	**68**		**24,981**	**1,259**	**260**	

(1) in the local functional currency
(2) in euros
(3) revaluation difference
(4) impairment of loans / advances: €1 million
(5) parent company of a sub-group: consolidated reserves, sales and net profit for the sub-group
(6) year ended 30 November
(7) including net profit for the year



Annual general meeting of 27 April 2006

AGENDA

1. ORDINARY PART

- Board of Directors' report on the company's situation and operations in 2005.
- Chairman's report on the preparation and organisation of the Board's work and on the internal control procedures introduced by the company.
- Auditors' reports for 2005.
- Auditors' observations on the Chairman's report concerning internal control procedures relating to the preparation and treatment of accounting and financial information.
- Board of Directors' special report on stock options.
- Approval of the parent company financial statements for the year ended 31 December 2005 as presented by the Board.
- Approval of the consolidated financial statements for the year ended 31 December 2005 as presented by the Board.
- Appropriation of earnings for 2005.
- Transfer of the balance of the special long-term capital gains reserve to the "Other reserves" account.
- Approval of the agreements referred to in Article L. 225-38 of the Commercial Code.
- Ratification of the co-option of two directors (Patricia Barbizet and François-Henri Pinault).
- Renewal of the term of office of three directors (Martin Bouygues, Monique Bouygues and Georges Chodron de Courcel).
- Appointment of a new director (François Bertière).
- Ratification of the Board's decision to move the registered office.
- Authorisation given to the Board of Directors with a view to enabling the company to buy back its own shares or investment certificates.
- Authorisation given to the Board of Directors to issue equity warrants in the event of a tender offer for the company's shares.

2. EXTRAORDINARY PART

- Board of Directors' and auditors' reports.
- Board of Directors' report on the reconstitution of investment certificates and voting right certificates as shares.
- Expert appraiser's report on special privileges.
- Reconstitution of investment certificates and voting right certificates as shares.
- Authorisation given to the Board of Directors to use delegations and authorisations in order to increase the company's share capital in the event of a tender offer for the company's shares.
- Authorisation given to the Board of Directors to issue equity warrants in the event of a tender offer for the company's shares.
- Authorisation given to the Board of Directors to reduce the company's share capital by the cancellation of treasury stock.
- Delegation of powers for the Board of Directors to issue non-voting preference shares having the same rights as investment certificates.
- Amendment of the by-laws.
- Powers to carry out formalities.

BOARD OF DIRECTORS' REPORT AND REPORT ON THE RESOLUTIONS PUT TO THE ANNUAL GENERAL MEETING

Ladies and gentlemen,

We have called you to this Annual General Meeting to ask you to approve twenty-one resolutions, the contents of which are described in this report.

REPORT ON RESOLUTIONS WITHIN THE COMPETENCE OF THE ORDINARY PART OF THE MEETING

Approval of accounts

The **first three resolutions** concern approval of the annual accounts of Bouygues SA and the consolidated financial statements as at 31 December 2005, the appropriation of earnings and the payment from 3 May 2006 of a dividend of €0.90 per share and per investment certificate, payable in cash.

Information about the company's management in 2005, the company accounts and the consolidated financial statements and the proposed appropriation of earnings is contained in the report on the company's operations in 2005. Shareholders wishing to receive this report or the auditors' reports may obtain them by returning the document request form attached to the notice of the meeting.

Transfer of the balance of the special long-term capital gains reserve

The **fourth resolution** concerns the transfer of €183,615,274.88 from the special long-term capital gains reserve to "Other reserves" in accordance with Article 39 IV of the Supplementary Finance Act 2004 (Act 2004-1485 of 30 December 2004).

Regulated agreements

The **fifth resolution** concerns approval of the agreements referred to in Article L. 225-38 of the Commercial Code, which are the subject of a special report from the auditors.

Ratification, renewal and appointment of directors

The **sixth and seventh resolutions** concern the ratification of the co-option as director of:

- Mrs Patricia Barbizet, replacing Artémis, for the latter company's remaining term of office, i.e. on conclusion of the Annual Meeting called to approve the accounts for 2007;
- Mr François-Henri Pinault, replacing Financière Pinault, for the latter company's remaining term of office, i.e. on conclusion of the Annual Meeting called to approve the accounts for 2009.

In the **eighth, ninth and tenth resolutions,** you are asked to renew the appointment, for a three-year term expiring on conclusion of the Annual Meeting called to approve the accounts for 2008, of:

- Mr Martin Bouygues;
- Mrs Monique Bouygues;
- Mr Georges Chodron de Courcel.

In the **eleventh resolution**, you are asked to appoint as director, for a three-year term expiring on conclusion of the Annual Meeting called to approve the accounts for 2008:

- Mr François Bertière.

Move of the registered office

The **twelfth resolution** concerns the ratification by the shareholders' meeting, in accordance with Article L. 225-36 of the Commercial Code, of the decision made by the Board of Directors at the meeting of 28 February 2006 to move the registered office to 32 avenue Hoche, 75008 PARIS, as of 1 July 2006.

Stock buy-back programme

In the **thirteenth resolution**, the Board asks you to authorise it to have the company buy its own shares or investment certificates under the terms of Articles L. 225-209 to L. 225-212 of the Commercial Code.

According to this regulation, the total number of shares and investment certificates purchased may not exceed 10% of the share capital. The unit purchase price may not be more than €80 per share or investment certificate and the sale price may not be less than €30 per share or investment certificate, subject to any adjustments relating to transactions involving the share capital.

This authorisation, which will replace the one given by the Annual General Meeting of 28 April 2005, is requested for a period of eighteen months and is intended to enable the company, in compliance with the provisions of Commission Regulation (EC) No. 2273/2003 of 22 December 2003 and Articles 241-1 to 241-6 of the General Regulations of the Autorité des Marchés Financiers:

- to ensure the liquidity of and organise the market for the shares, through an investment service provider acting independently under the terms of a liquidity agreement;
- to remit shares on the exercise of rights attached to transferable securities;
- to keep shares with a view to using them subsequently for payment or exchange in the context of acquisitions;
- to allocate shares to employees or corporate officers under the terms and conditions provided by law;
- to cancel shares subject to specific authorisation from the shareholders' meeting (to be conferred by the eighteenth resolution);
- to implement any market practice accepted by the Autorité des Marchés Financiers and generally to carry out any other transaction in compliance with the prevailing regulations.

We ask you to allocate a maximum total amount of one and a half billion euros (€1,500,000,000) to the buy-back programme, a description of which is given in the special report on the stock buy-back programme.

Issue of equity warrants in the event of a tender offer

The **fourteenth resolution** will not be submitted to the shareholder vote on the assumption that, at the date of the shareholders' meeting, the law concerning public takeover bids will have been definitively adopted providing for a vote at the extraordinary shareholders' meeting for this type of delegation. A similar resolution is provided for in the extraordinary part of the meeting (the seventeenth resolution).

This resolution aims to authorise the Board of Directors, assuming that this power is permitted by prevailing laws and regulations, to issue equity warrants allowing holders to subscribe to shares in the company under preferential conditions and to allocate these warrants to shareholders at no cost in the event of a tender offer for the company's shares.

The aim is to apply the principle of reciprocity, i.e. to avoid your company having to gain authorisation from the Annual General Meeting during the offer period to take steps that may cause the offer to fail, when the bidder is not itself subject to the same or similar requirements.

This authorisation is given for eighteen months.

REPORT ON RESOLUTIONS WITHIN THE COMPETENCE OF THE EXTRAORDINARY PART OF THE MEETING

Reconstitution of investment certificates and voting right certificates as shares

The **fifteenth resolution** will only be submitted to the shareholder vote if the special meeting of holders of voting right certificates, due to be held by first notice on 12 April 2006, or in the event that a quorum is not obtained, by second notice on 26 April 2006, approves the proposal relating to the reconstitution of investment certificates and voting right certificates as shares. Information about this transaction is provided in our report on the reconstitution of investment certificates and voting right certificates as shares and in the expert appraiser's report on special privileges.

Capital increases in the event of a tender offer

The **sixteenth resolution** aims to allow the Board of Directors to use the different delegations and authorisations provided by the general meeting of 28 April 2005 to increase the company's share capital in the event of a tender offer for the company's shares, assuming that the use of these authorisations is permitted by prevailing laws and regulations.

The aim is to apply the principle of reciprocity, i.e. to avoid your company having to gain authorisation from the Annual General Meeting during the offer period to take steps that may cause the offer to fail, when the bidder is not itself subject to the same or similar requirements.

This authorisation is given for fourteen months.

Issue of equity warrants in the event of a tender offer

The **seventeenth resolution** will not be submitted to the shareholder vote on the assumption that, at the date of the shareholders' meeting, the law concerning public takeover bids will have been definitively adopted providing for a vote at the ordinary shareholders' meeting for this type of delegation. A similar resolution is provided for in the ordinary part of the meeting (fourteenth resolution).

This resolution aims to authorise the Board of Directors, assuming that this power is permitted by prevailing laws and regulations, to issue equity warrants allowing holders to subscribe to shares in the company under preferential conditions and to allocate these warrants to shareholders at no cost in the event of a tender offer for the company's shares.

The aim is to apply the principle of reciprocity, i.e. to avoid your company having to gain authorisation from the Annual General Meeting during the offer period to take steps that may cause the offer to fail, when the bidder is not itself subject to the same or similar requirements.

This authorisation is given for eighteen months.

Reduction of the share capital by cancellation of treasury stock

In accordance with Article L. 225-209 of the Commercial Code, the purpose of the **eighteenth resolution** is to authorise the Board of Directors, with the option of delegating such powers to any person authorised by law, to cancel, on one or more occasions, at its own discretion, up to a limit of 10% of the share capital in any 24-month period, all or some of the shares that the company holds or may hold as a result of using the various purchase authorisations given by the shareholders' meeting to the Board, and to reduce the share capital by the same amount.

This authorisation is given for eighteen months and cancels any previous authorisation having the same purpose.

Non-voting preference shares having the same rights as investment certificates

The **nineteenth resolution** will only be submitted to the shareholder vote if the fifteenth resolution (reconstitution of investment certificates and voting right certificates as shares) is not approved. The purpose of this resolution is to delegate powers to the Board of Directors to decide, in cases where the prevailing regulations so provide, to issue, buy back and convert non-voting preference shares having the same rights as investment certificates and all transferable securities of whatever kind giving access by all means, immediately and/or in the future, to non-voting preference shares having the same rights as investment certificates.

The nominal amount of all preference shares issued under the terms of the delegation may not exceed €10,000,000 (ten million euros) or 25% of the share capital.

This delegation is granted to the Board for eighteen months as of the date of the meeting.

The **twentieth resolution** concerns the amendment of article 18 of the by-laws (Supervisors) to reduce the term of office of supervisors from six years to three years; this amendment applies to supervisors appointed or whose terms of office are renewed after the shareholders' meeting of 27 April 2006.

Powers

The **twenty-first resolution** concerns powers to accomplish formalities relating to both the ordinary and the extraordinary part of the meeting.

*   *

*

Information about the conduct of the company's business, which we have a statutory obligation to provide, is contained in the business report communicated to you.

We ask you to vote on the resolutions put to you.

The Board of Directors

SUPPLEMENTARY REPORT OF THE BOARD OF DIRECTORS ON THE CAPITAL INCREASE RESERVED FOR BOUYGUES GROUP EMPLOYEES SUBSCRIBING TO THE BOUYGUES GROUP CORPORATE SAVINGS PLAN

(Article 155-2 of the decree of 23 March 1967 on commercial companies)

Ladies and gentlemen,

We remind you that at the Annual General Meeting of 28 April 2005, you granted the Board of Directors powers to decide, for a period of twenty-six months, at its own discretion, to increase the share capital, on one or more occasions, up to a limit of 10% of the share capital, through the issue of new shares to be paid up in cash reserved for Bouygues employees and employees of affiliated companies subscribing to a corporate savings plan.

You delegated to the Board of Directors, with the option of subdelegating to the Chief Executive Officer or, with his consent, to one or more Deputy CEOs, all powers to carry out such capital increases and to set the definitive terms and conditions.

We also remind you that the special meeting of holders of investment certificates on 28 April 2005 noted that, in accordance with the law, holders of investment certificates have no preferential right of subscription to non-voting preference shares having the same rights as investment certificates if ordinary shares are issued under this delegation of powers.

Using the powers thus delegated to it, the Board of Directors decided at its meeting of 21 June 2005 to carry out a capital increase reserved for employees in order to meet the high expectations of the Group's employees and to help to maintain a sense of unity between employees of the Group's subsidiaries.

This capital increase, carried out in the form of an employee share ownership scheme created specifically for this purpose, to be approved by the Autorité des Marchés Financiers, will be limited to a maximum of €250 million (including the issue premium).

This is a leverage operation to increase employees' investment, as under the terms of the exchange transaction between the employee share ownership scheme and the bank, the personal contribution from each employee will be topped up with a contribution from the bank equal to nine times the employee's personal contribution.

Therefore, when they withdraw from the scheme, employees will receive a percentage of the capital gain on the total shares purchased thanks to their personal contribution and the bank's contribution corresponding to the difference between the share price at the time of withdrawal from the scheme and the subscription price before the 20% discount, multiplied by the total number of shares purchased.

This is a risk-free transaction as irrespective of Bouygues' share price performance, employees will benefit from a guaranteed return on their personal contribution.

The subscription price was set at 80% of the average opening share price quoted during the twenty trading days prior to 21 June 2005, i.e. €25.07.

Shares subscribed through the employee share ownership scheme will bear interest on 1 January 2005; the new shares will be assimilated into existing shares.

The subscription period will begin on 1 November 2005 at the earliest and end on 31 December 2005 at the latest. The Chairman will determine the terms for the payment of subscriptions.

In accordance with the decision of the Annual General Meeting of 28 April 2005, the number of shares offered is equal to less than 10% of the share capital. The maximum number of shares that can be created given the authorised amount and the subscription price is 9,972,078 shares, equal to 3% of the share capital.

The impact of the issue of up to 9,972,078 new shares on a shareholder owning 1% of Bouygues' share capital and not subscribing to the capital increase would be as follows:

	Percentage stake
Before issue	1%
After issue of a maximum of 9,972,078 new shares	0.97%

Furthermore, the impact of this issue on the proportion of consolidated shareholders' equity (Group share) as at 31 March 2005 for a shareholder owning one Bouygues share and not subscribing to the capital increase would be as follows:

	Share of shareholders' equity Group share as at 31 March 2005
Before issue	€12.26
After issue of a maximum of 9,972,078 new shares	€12.63

Given the issue price and the volume of the transaction, it is unlikely to have a significant impact on the share price.

The Board of Directors has also decided that the proposed capital increase will be combined with a buy-back of treasury stock to limit the dilutive impact of the capital increase.

In accordance with the provisions of Article 155-2 paragraph 3 of the decree of 23 March 1967, this report will be available to shareholders at the Company's registered office within two weeks after the Board meeting and will be brought to the attention of shareholders at the next general shareholders' meeting.

The Board of Directors

BOARD OF DIRECTORS' SPECIAL REPORT ON STOCK OPTIONS

This report can be found in the Legal and financial information section, pages 129 and 130 of this document.

BOARD OF DIRECTORS' SPECIAL REPORT ON BUY-BACKS OF SHARES

This report can be found in the Legal and financial information section, pages 138 and 139 of this document.

CHAIRMAN'S REPORT ON THE PREPARATION AND ORGANISATION OF THE BOARD'S WORK AND ON THE INTERNAL CONTROL PROCEDURES INTRODUCED BY THE COMPANY

This report can be found in the Legal and financial information section, pages 108 to 125 of this document.

AUDITORS' GENERAL REPORT ON THE ANNUAL ACCOUNTS

Ladies and gentlemen,

In accordance with the terms of our appointment at your Annual General Meeting, we hereby submit our report for the year ended 31 December 2005:

- our audit of the annual accounts of Bouygues as attached to this report,
- the substantiation of our opinion,
- the specific verifications and information required by law.

The annual accounts are the responsibility of the Board of Directors. Our responsibility is to express an opinion on them based on our audit.

I - Opinion on the annual accounts

We conducted our audit in accordance with the prevailing standards of the profession in France. Those standards require that we plan and perform our audit to obtain reasonable assurance that the annual accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts in the accounts. An audit also includes assessing the accounting principles used and significant estimates made in the preparation of the accounts and evaluating their overall presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the annual accounts give a true and fair view, according to French accounting principles, of the results of operations for the year ended 31 December 2005 and of the company's financial situation and assets at that date.

Without prejudice to the opinion given above, and in accordance with article L. 232-6 of the Commercial Code, we draw your attention to the two changes in accounting methods that took place during the year, resulting from:

- the first-time application of CRC regulations 2002-10 relating to asset depreciation and write-downs and 2004-06 relating to the definition, recognition and valuation of assets, as discussed in note 2-2 to the parent company financial statements.
- the first-time provisioning of termination benefits, according to the terms set out in note 2-7 of the notes to the parent company financial statements.

II - Substantiation of our opinion

Pursuant to the provisions of Article L. 823-9 of the Commercial Code concerning substantiation of our opinion, we bring to your attention the following items of information:

The equity securities appearing as assets on your company's balance sheet are valued using the methods described in note 2.3 of the notes to the parent company financial statements. We have carried out specific assessments of the elements taken into consideration for estimating book values and, where relevant, verified the calculation of impairment provisions. These assessments do not call for any particular comment on our part as regards the methods used or the reasonable nature of the information provided in the notes to the financial statements.

The assessments thus made form part of our audit of the annual accounts taken as a whole and have thus contributed to the formation of our opinion expressed in the first part of this report.

III - Specific verifications and information

We have also carried out the specific verifications required by law in accordance with the prevailing standards of the profession in France.

We are also satisfied that the information given in the Board of Directors' business report and in the documents provided to shareholders concerning the financial situation and annual accounts is fairly stated and agrees with the annual accounts.

As required by law, we have satisfied ourselves that information relating to acquisitions of equity and controlling interests and the identity of shareholders has been provided to you in the business report.

Paris-La Défense, 9 March 2006
The Auditors

Ernst & Young Audit
Jean-Claude Lomberget

Mazars & Guérard
Michel Rosse

AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

Ladies and gentlemen,

In accordance with the terms of our appointment at your Annual General Meeting, we have audited the consolidated financial statements of Bouygues for the year ended 31 December 2005 as attached to this report.

The consolidated financial statements are the responsibility of the Board of Directors. Our responsibility is to express an opinion on them based on our audit. These financial statements have been prepared for the first time in accordance with IFRS as adopted in the European Union. For comparison purposes, they contain figures relating to 2004 that have been adjusted to reflect the impact of these accounting standards.

I - Opinion on the consolidated financial statements

We conducted our audit in accordance with the professional standards applicable in France. Those standards require that we plan and perform our audit to obtain reasonable assurance that the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts in the accounts. An audit also includes assessing the accounting principles used and significant estimates made in the preparation of the financial statements and evaluating their overall presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the 2005 consolidated financial statements give a true and fair view, according to IFRS as adopted in the European Union, of the assets, financial situation and results of the group formed by the persons and entities within the scope of consolidation.

II - Substantiation of our opinion

Pursuant to the provisions of Article L. 823-9 of the Commercial Code concerning substantiation of our opinion, we bring to your attention the following items of information:

Loss-of-value tests were carried out on intangible fixed assets and goodwill as described in note 2.6.4 of the notes to the consolidated financial statements. We examined the methods for carrying out the tests and the assumptions on which they were based.

Current and non-current provisions appearing on the balance sheet in amounts of €676 million and €1,265 million respectively were valued using the rules and methods described in notes 2.11.2 and 2.10.2 to the consolidated financial statements. In the light of the information available to date, our assessment of the provisions is based in particular on an analysis of the processes used by senior management to identify and assess the risks.

The assessments thus made form part of our audit of the consolidated financial statements taken as a whole and have thus contributed to the formation of our opinion expressed without qualification in the first part of this report.

III - Specific verifications

We have also examined the information contained in the Board of Directors' business report in accordance with the prevailing standards of the profession in France. We are satisfied that the information is fairly stated and agrees with the consolidated financial statements.

Paris-La Défense, 9 March 2006
The Auditors

Ernst & Young Audit
Jean-Claude Lomberget

Mazars & Guérard
Michel Rosse

AUDITORS' REPORT IN ACCORDANCE WITH ARTICLE L.225-235 OF THE COMMERCIAL CODE ON THE REPORT OF THE CHAIRMAN OF BOUYGUES SA ON INTERNAL CONTROL PROCEDURES RELATING TO THE PREPARATION AND TREATMENT OF ACCOUNTING AND FINANCIAL INFORMATION

Ladies and gentlemen,

In our capacity as auditors of Bouygues and pursuant to the provisions of Article L. 225-235 of the Commercial Code, we hereby present our report on the report prepared by the Chairman of your company in accordance with the provisions of Article L. 225-37 of the Commercial Code for the year ended 31 December 2005.

The Chairman's report should describe the conditions for preparing and organising the Board's work and the company's internal control procedures.

Our responsibility is to inform you of our observations based on the information contained in the Chairman's report relating to internal control procedures and the preparation and treatment of accounting and financial information.

We have performed our assignment in accordance with the prevailing standards of the profession in France, which require us to verify that the information given in the Chairman's report relating to internal control procedures and the preparation and treatment of accounting and financial information is fairly stated. This work includes:

- acquainting ourselves with the objectives and general organisation of internal controls and the internal control procedures relating to the preparation and treatment of accounting and financial information contained in the Chairman's report;
- acquainting ourselves with the work underlying the information given in the report.

On the basis of this work, we have no comment to make about the information concerning the company's internal control procedures as they relate to the preparation and treatment of accounting and financial information contained in the Chairman's report prepared pursuant to the provisions of Article L. 225-37 of the Commercial Code.

Paris-La Défense, 21 March 2006
The Auditors

Ernst & Young Audit
Jean-Claude Lomberget

Mazars & Guérard
Michel Rosse

AUDITORS' SPECIAL REPORT ON REGULATED AGREEMENTS

Ladies and gentlemen,

In our capacity as auditors of your company, we hereby submit our report on regulated agreements.

■ Agreements authorised and concluded during the year

Pursuant to Article L. 225-40 of the Commercial Code, we were advised of agreements that had been previously authorised by your Board of Directors.

Our assignment is not to find out whether there may be other agreements but to inform you, on the basis of the information provided to us, of the principal features and terms of the agreements notified to us. We are not asked to give an opinion on whether they are useful or necessary. Under the terms of Article 92 of the decree of 23 March 1967, it is for you to assess the appropriateness of these agreements with a view to approving them.

We have performed our assignment in accordance with the prevailing standards of the profession in France which require us to verify that the information given to us is consistent with the documents from which it derives.

Common service agreements

Bouygues has concluded common service agreements under which it provides its sub-groups with services, relating in particular to management, human resources, information technology and finance.

Bouygues invoiced the following amounts in respect of this agreement in 2005:

Subsidiaries	Amount excl. VAT	Persons concerned
Bouygues Construction	€10,430,358	Olivier Bouygues, Michel Derbesse (until 21 April 2005), Yves Gabriel and Olivier Poupart-Lafarge
Bouygues Immobilier	€2,476,060	Michel Derbesse (until 18 April 2005) and Olivier Poupart-Lafarge
Bouygues Telecom	€8,471,342	Olivier Bouygues, Michel Derbesse (until 21 April 2005), Alain Pouyat and Olivier Poupart-Lafarge
Colas	€15,938,447	Olivier Bouygues, Michel Derbesse (until 19 April 2005), Alain Dupont, Patrick Le Lay and Olivier Poupart-Lafarge
Finagestion	€934,617	Olivier Bouygues
TF1	€5,218,055	Patricia Barbizet, Martin Bouygues, Michel Derbesse (until 12 April 2005), Patrick Le Lay, Alain Pouyat and Olivier Poupart-Lafarge

Service agreements: use of Bouygues offices at 90 avenue des Champs-Elysées

Bouygues has concluded an agreement with its main subsidiaries under which it provides fully-equipped occasional offices at 90, avenue des Champs-Elysées.

Bouygues invoiced the following amounts in respect of this agreement in 2005:

Subsidiaries	Amount excl. VAT	Persons concerned
Bouygues Bâtiment International	€63,000	Yves Gabriel and Olivier Poupart-Lafarge
Bouygues Bâtiment Île-de-France	€485,000	Yves Gabriel
Bouygues Construction	€236,000	Olivier Bouygues, Michel Derbesse (until 21 April 2005), Yves Gabriel and Olivier Poupart-Lafarge
Bouygues Telecom	€20,000	Olivier Bouygues, Michel Derbesse (until 21 April 2005), Alain Pouyat and Olivier Poupart-Lafarge
Bouygues Travaux Publics	€129,000	Yves Gabriel and Olivier Poupart-Lafarge (until 20 April 2005)
ETDE	€57,000	Yves Gabriel and Alain Pouyat
Bouygues Immobilier	€10,000	Michel Derbesse (until 18 April 2005) and Olivier Poupart-Lafarge

Service agreements: use of aircraft owned by Bouygues

Bouygues has concluded an agreement with its main subsidiaries for use of its aircraft.

Bouygues invoiced the following amounts in respect of these agreements in 2005:

Subsidiaries	Amount excl. VAT	Persons concerned
Bouygues Construction	€384,975	Olivier Bouygues, Michel Derbesse (until 21 April 2005), Yves Gabriel and Olivier Poupart-Lafarge
Bouygues Bâtiment International	€47,025	Yves Gabriel and Olivier Poupart-Lafarge
Bouygues Bâtiment Île-de-France	€0	Yves Gabriel
Bouygues Travaux Publics	€47,700	Yves Gabriel and Olivier Poupart-Lafarge (until 20 April 2005)
Bouygues Immobilier	€28,800	Michel Derbesse (until 18 April 2005) and Olivier Poupart-Lafarge
DTP Terrassement	€129,825	
TF1 group	€661,050	Patricia Barbizet, Martin Bouygues, Michel Derbesse (until 12 April 2005), Patrick Le Lay, Olivier Poupart-Lafarge and Alain Pouyat
Eurosport	€286,650	Olivier Bouygues
Colas	€486,900	Olivier Bouygues, Michel Derbesse (until 19 April 2005), Alain Dupont, Patrick Le Lay and Olivier Poupart-Lafarge
Bouygues Telecom	€328,219	Olivier Bouygues, Michel Derbesse (until 21 April 2005), Olivier Poupart-Lafarge and Alain Pouyat
Finagestion	€224,100	Olivier Bouygues
ETDE	€0	Yves Gabriel and Alain Pouyat

Service agreements: investor relations services for Bouygues Construction and TF1 provided by the general secretariat of the Bouygues group

Bouygues has concluded agreements to provide investor relations services to certain subsidiaries.

Bouygues invoiced the following amounts in respect of these agreements in 2005:

Subsidiaries	Amount excl. VAT	Persons concerned
TF1	€60,000	Patricia Barbizet, Martin Bouygues, Michel Derbesse (until 12 April 2005), Patrick Le Lay, Olivier Poupart-Lafarge and Alain Pouyat
Bouygues Construction	€35,000	Olivier Bouygues, Michel Derbesse (until 21 April 2005), Yves Gabriel and Olivier Poupart-Lafarge

Agreements to buy and sell Bouygues Telecom shares held by the BNP Paribas group

In view of Bouygues' possible purchase of all Bouygues Telecom shares held by the BNP Paribas group (6.5% of Bouygues Telecom's capital) for a basic price of €475 million, Bouygues signed the following agreements to buy and sell with BNP Paribas on 21 June 2005:

- Bouygues granted BNP Paribas an option to buy, valid until 31 July 2007.
- BNP Paribas granted Bouygues an option to sell, exercisable between 1 and 30 September 2007.

The basic price of €475 million bears interest at a rate of 2.07% from the day on which the undertakings were signed until the purchase takes place. Dividends paid before the transfer of ownership, plus interest at a rate of 2.07%, will be deducted from the basic price.

Person concerned: Georges Chodron de Courcel

Sponsorship agreement between Bouygues and ARSEP

The sponsorship agreement between Bouygues and ARSEP for the purpose of raising funds for the EDMUS project to computerise data on multiple sclerosis sufferers was renewed for a three-year period (2005-2007).

Bouygues paid €40,000 excluding VAT in respect of this agreement in 2005.

Person concerned: Michel Derbesse

Supplementary pension plan for executive management

Bouygues has signed a supplementary pension plan agreement for the members of the Group's Executive Committee, including the corporate officers and salaried directors of Bouygues SA. This supplementary plan represents 0.92% of the reference salary for each year of membership of the plan. It has been outsourced to an insurance company. The contribution paid in 2005 to the fund set up by the insurance company was €3,662,301 excluding VAT.

Persons concerned: Martin Bouygues, Olivier Poupart-Lafarge and Olivier Bouygues.

Sub-licensing agreement concerning Magnitude accounting and financial software between Bouygues and certain subsidiaries

Bouygues has signed a sub-licensing agreement for the use of its Magnitude consolidation software (for which Bouygues has a non-exclusive usage licence) with three of its subsidiaries.

Bouygues invoiced the following one-off amounts in respect of this agreement in 2005:

Subsidiaries	Amount excl. VAT	Persons concerned
Colas	€237,000	Olivier Bouygues, Alain Dupont, Patrick Le Lay and Olivier Poupart-Lafarge
Bouygues Immobilier	€80,000	Olivier Poupart-Lafarge
Bouygues Construction	€191,000	Olivier Bouygues, Yves Gabriel and Olivier Poupart-Lafarge

Retirement agreement for Michel Derbesse

Michel Derbesse's term of office as Deputy CEO ended on 1 March 2005 and his employment contract, which was suspended during his term as a corporate officer, automatically resumed on that date. In 1995, the Board of Directors decided that the duration of Mr Derbesse's corporate officership would be taken into account in determining his length of service and rights with respect to his employment contract. Mr Derbesse's retirement took place under this framework.

Bouygues paid Mr Derbesse a 12-month termination benefit, calculated in accordance with the collective agreement in the building industry, equal to €2,300,000, in addition to the amount relating to the three-month notice period provided for by the collective agreement.

Person concerned: Michel Derbesse

■ Agreements approved in previous years which continued to be effective in 2005

In accordance with the decree of 23 March 1967, we were informed that the following agreements, approved in previous years, continued to be effective in 2005:

Reciprocal advances between Bouygues and its subsidiaries leading to the invoicing of interest:

Advances by Bouygues to its subsidiaries led to the invoicing of €7,381,824 of interest at rates lower than the tax-deductible minimum (4.58%) for advances in euros.

Guarantees

Guarantees given by Bouygues to Crédit Lyonnais

Calyon, subrogated to Crédit Lyonnais in its rights, in a letter dated 2 August 2005 issued notification that it was terminating guarantees given by Bouygues in 1992 relating to the repayment by Romanian limited-liability company CCIB of the following loans:

- an aggregate amount of €1,219,592 in respect of the long-term credit agreement;
- €370,451 plus interest, expenses and fees in respect of the long-term supplementary loan.

Continuation of guarantees given by Bouygues to TF1 International

In the context of the disposal of Ciby Droits Audiovisuels, Bouygues gave a counter-guarantee for commitments assumed by Fiducine with regard to TF1 International.

Continuation of guarantees given by Bouygues to Bouygues Bâtiment International

In January 1998, Bouygues concluded a concession agreement relating to an equestrian club project in Jeddah (Saudi Arabia). Following the spin-offs in June 1999, one result of which was to substitute Bouygues Bâtiment (since renamed Bouygues Bâtiment International) for Bouygues, the two companies concluded an agreement in order to amend the clauses relating to joint and several liability.

Trademark licence agreements

With Bouygues Construction, Bouygues Travaux Publics, Bouygues Immobilier

Bouygues concluded trademark licence agreements in 2000 with Bouygues Construction, Bouygues Bâtiment, Bouygues Travaux Publics and Bouygues Immobilier, in particular so as to give them:

- the right to use respectively the Bouygues Construction, Bouygues Bâtiment, Bouygues Travaux Publics and Bouygues Immobilier trademarks, company names and trade names;

- the right for companies in the construction sector to use the Minorange ellipse.

Bouygues invoiced the following amounts in respect of this agreement in 2005:

Subsidiaries	Amount excl. VAT
Bouygues Construction	€36,283
Bouygues Travaux Publics	€15,855
Bouygues Immobilier	€16,464

With Bouygues Bâtiment International and Bouygues Bâtiment Île-de-France

Bouygues concluded the following agreements in 2003:

- with Bouygues Bâtiment International, a supplement to the trademark licence agreement of 21 December 2000, granting it the right to use the Bouygues Bâtiment trademarks in certain foreign countries, to use the Minorange ellipse trademarks in France and specified foreign countries and to use the Bouygues Bâtiment company name and trade name worldwide.
- with Bouygues Bâtiment Île-de-France, a licence agreement granting it the exclusive right: to use the Bouygues Bâtiment trademark in France, a non-exclusive right to use the Bouygues Bâtiment company name and trade name in France, a non-exclusive right to use the Minorange ellipse trademark in France in conjunction with the Bouygues Bâtiment name and the right to use the Bouygues Bâtiment company name and trade name.

Bouygues invoiced the following amounts in respect of these agreements in 2005:

Subsidiaries	Amount excl. VAT
Bouygues Bâtiment International	€7,318
Bouygues Bâtiment Île-de-France	€15,550

With Bouygues Telecom

Bouygues concluded a trademark licence agreement with Bouygues Telecom in 1996, followed by supplementary agreements in 1997 and 2001 granting it the following rights (amounts excluding VAT):

- an exclusive licence to use the Bouygues Telecom trademark in France, in respect of which Bouygues invoiced €15,245 in 2005;
- exclusive licences to use Bouygues Telecom trademarks in 99 foreign countries, in respect of which Bouygues invoiced €30,185 in 2005;
- an exclusive licence to use the Bouygtel trademark in France, in respect of which Bouygues invoiced €15,245 in 2005;
- a non-exclusive licence to use the Bouygnet trademark in France, in respect of which Bouygues invoiced €1,524 in 2005.

Agreement between Bouygues and SCDM

In December 2004, Bouygues concluded an agreement with SCDM, a company owned by Martin and Olivier Bouygues, which has a small team (including Martin and Olivier Bouygues) that makes an ongoing contribution to activities benefiting the Bouygues group.

Under the terms of the agreement, SCDM will invoice Bouygues for costs incurred up to a maximum of €8 million a year, relating to:

- wages, in particular those of Martin and Olivier Bouygues, who are paid solely by SCDM,
- research and analysis relating to strategic developments and the expansion of the Bouygues group,
- miscellaneous services.

SCDM may also provide specific services to Bouygues outside the scope of its permanent mission, which are invoiced according to normal market conditions.

Under the terms of the agreement, Bouygues will also invoice SCDM for office space of 130 m^2 on the Challenger site for an annual rental charge of €85,000, as well as specific services according to normal market terms.

In respect of this agreement, SCDM invoiced Bouygues an amount of €6,117,356 (excluding VAT) in 2005, and Bouygues invoiced SCDM an amount of €134,688 (excluding VAT).

Technical support agreement between Bouygues and TF1 Publicité

An agreement was concluded on 17 September 2004 to allow TF1 Publicité to use the services of Bouygues' e-Lab department in the context of the provision of technical support services for the creation and optimisation of advertising products and services offered by TF1 Publicité.

Bouygues invoiced €100,000 excl. VAT in respect of this agreement in 2005.

Assumption of defence costs

Bouygues' assumes costs incurred by senior managers or employees in their defence or in connection with criminal proceedings resulting in discharge or acquittal where such proceedings are brought against them for acts accomplished in performance of their duties or for the mere fact of holding a position as Director, Chairman, CEO or Deputy CEO or any equivalent position in a Group company.

This agreement had no effect in 2005.

Other agreements

With Bouygues Construction

Bouygues concluded a three, six, nine-year sublease agreement with Bouygues Construction as of 1 January 2000 relating to approximately 5,000 m^2 of the Challenger site.

Bouygues Construction invoiced €3,044,802 excl. VAT in respect of this agreement in 2005.

With Bouygues Bâtiment International

The agreement signed at the end of December 2003 between Bouygues and Bouygues Bâtiment International concerning the handling of the Casablanca mosque claim remained in effect in 2005.

With SCI des Travaux Publics du 90 avenue des Champs-Élysées

The agreement concluded on 10 September 2003 with SCI des Travaux Publics du 90 avenue des Champs-Élysées (represented by the Fédération Nationale des Travaux Publics - FNTP) in the context of the sale by Bouygues of its offices on the Champs-Élysées, with deferred transfer of use, continued to take effect in 2005.

Bouygues was invoiced €658,353 excl. tax and VAT in respect of the occupation of these premises in 2005.

Paris-La Défense, 21 March 2006
The Auditors

Ernst & Young Audit
Jean-Claude Lomberget

Mazars & Guérard
Michel Rosse

AUDITORS' REPORT ON THE REDUCTION OF SHARE CAPITAL BY THE CANCELLATION OF REPURCHASED SHARES

Ladies and gentlemen,

In our capacity as auditors of Bouygues and in performance of the duties set forth in Article L. 225-209, paragraph 7, of the Commercial Code in the event of a reduction of capital by cancellation of repurchased shares, we have prepared this report to inform you of our assessment of the reasons for and conditions of the proposed transaction.

We have conducted our assignment in accordance with the prevailing standards of the profession in France and have duly assessed the lawful nature of the reasons for and conditions of the capital reduction.

The transaction is planned in the context of the company's repurchase of its own shares, up to 10% of the capital, under the conditions set forth in Article L. 225-209 of the Commercial Code. You are asked to approve the authorisation at your Annual General Meeting. Should you do so, it will be valid for 18 months.

Your Board asks you to give it all powers, for an 18-month period, to cancel shares bought under the terms of the various authorisations allowing your company to buy back its own shares, up to a limit of 10% of the capital per 24-month period.

We have no comment to make on the reasons for and conditions of the envisaged capital reduction, bearing in mind that this transaction can be carried out only if your Annual General Meeting previously approves the company's repurchase of its own shares.

Paris-La Défense, 21 March 2006
The Auditors

Ernst & Young Audit
Jean-Claude Lomberget

Mazars & Guérard
Michel Rosse

AUDITORS' SPECIAL REPORT ON ISSUES OF PREFERENCE SHARES AND TRANSFERABLE SECURITIES GIVING ACCESS TO NON-VOTING PREFERENCE SHARES HAVING THE SAME RIGHTS AS INVESTMENT CERTIFICATES

Ladies and gentlemen,

In our capacity as auditors of your company and in performance of the duties set forth in Articles L. 228-12 and L. 228-92 of the Commercial Code, we have prepared this report on the proposed issue to holders of investment certificates of preference shares and securities giving access to non-voting preference shares and having the same rights as investment certificates.

On the basis of its report, your Board of Directors has asked you, pursuant to Article L. 225-129-2 of the Commercial Code, to delegate to it for a period of 18 months your capacity to decide on this operation and to set the issue terms.

It is the responsibility of the Board of Directors to prepare a report in accordance with Article 206-2 of the decree of 23 March 1967. It is our task to express our opinion on the proposed issue and on certain information contained in this report.

We have carried out the work we deemed necessary for this purpose. This work included checking the information provided in the Board of Directors' report on the characteristics of preference shares and the method of determining their issue price.

Without prejudice to the subsequent review of the terms of the proposed issue, we have no comment to make on the proposed operation and the method for determining the issue price of equity securities to be issued set forth in the Board of Directors' report or on the presentation of the characteristics of preference shares set forth in this report.

As the issue price for any equity securities to be issued has not been fixed, we express no opinion on the final terms under which the issue may be carried out.

In accordance with Article 155-2 of the decree of 23 March 1967, we shall draw up a supplementary report when the Board of Directors carries out the issue.

Paris-La Défense, 21 March 2006
The Auditors

Ernst & Young Audit
Jean-Claude Lomberget

Mazars & Guérard
Michel Rosse

AUDITORS' SUPPLEMENTARY REPORT ON THE CAPITAL INCREASE RESERVED FOR EMPLOYEES SUBSCRIBING TO A CORPORATE SAVINGS PLAN

Ladies and gentlemen,

In our capacity as auditors of your company and pursuant to the provisions of Article 155-2 of the decree of 23 March 1967, we hereby present a supplementary report to our special report of 16 March 2005 on the issue of shares reserved for Bouygues employees and employees of affiliated companies that are members of a corporate savings plan, as authorised by the Annual General Meeting of 28 April 2005.

This meeting delegated to the Board of Directors the powers to decide on a transaction of this kind for a period of twenty-six months and up to a limit of 10% of the share capital as at the date the decision is made.

Using the powers thus delegated to it, the Board of Directors decided at its meeting of 21 June 2005 to carry out a capital increase reserved for employees limited to a maximum of €250 million, through the issue of 9,972,078 shares with a subscription price set at 80% of the average opening share price quoted during the twenty trading days prior to 21 June 2005, i.e. €25.07.

It is the responsibility of the Board of Directors to prepare a supplementary report in accordance with Article 155-2 of the decree of 23 March 1967. We are required to give our opinion on certain information provided in this report and on the proposal to cancel the preferential subscription right.

We have conducted our assignment in accordance with the prevailing standards of the profession in France. Those standards require that we plan and perform our audit to verify:

- the figures taken from the interim consolidated financial statements prepared under the responsibility of the Board of Directors as at 31 March 2005. In the context of the transition to IFRS as adopted in the European Union for the preparation of consolidated financial statements for 2005, the interim consolidated financial statements to 31 March 2005 were prepared for the first time in accordance with the IFRS accounting and valuation policies adopted in the European Union, in the form of interim financial statements as defined in the general regulations of the Autorité des Marchés Financiers. For comparison purposes, they contain figures relating to 2004 and the first quarter of 2004 that have been restated for these accounting standards. We have conducted a limited examination of the interim financial statements in accordance with the prevailing standards of the profession in France;
- the conformity of the conditions of the operation with the authorisation granted by the Annual General Meeting and the sincerity of the information provided in the supplementary report of the Board of Directors on the calculations used to determine the issue price and the final amount of the capital increase.

We have no observations to make on:

- the sincerity of the figures taken from the company's financial statements and given in the supplementary report of the Board of Directors;
- the conformity of the conditions of the operation with the authorisation granted by the Annual General Meeting of 28 April 2005 and the indications provided;
- the proposal to cancel preferential subscription rights on which you have already given your opinion, the calculations used to determine the issue price and the final amount of the capital increase;
- the presentation of the impact of the issue on the situation of holders of shares or transferable securities giving access to the increased share capital in relation to shareholders' equity and the impact on the share price.

Note: pending the enactment of the law relating to takeover bids, the auditors' reports on the sixteenth and seventeenth resolutions submitted to the Annual General Meeting on 27 April 2006 will be made available to shareholders within the legal time limits, namely by 11 April 2006 at the latest.

Paris-La Défense, 5 July 2005
The Auditors

Ernst & Young Audit
Jean-Claude Lomberget

Mazars & Guérard
Michel Rosse

RECONSTITUTION OF INVESTMENT CERTIFICATES AND VOTING RIGHT CERTIFICATES AS SHARES

BOARD OF DIRECTORS' SPECIAL REPORT ON THE RECONSTITUTION OF INVESTMENT CERTIFICATES AND VOTING RIGHT CERTIFICATES AS SHARES

Ladies and gentlemen,

We have called you to this Annual General Meeting to ask you to approve the proposed reconstitution of investment certificates and voting right certificates as shares, as presented in accordance with Article L. 228-31 of the Commercial Code.

As at 31 December 2005, there were 473,867 Bouygues investment certificates, representing 0.14% of share capital.

If existing investment certificates represent no more than 1% of the share capital of a company whose shares are admitted to trading on a regulated market, this company may reconstitute existing investment certificates and voting right certificates as shares.

The Board of Directors believes that this is an appropriate time for a reconstitution of this kind and to simplify Bouygues' shareholding structure for the following reasons:

- the number and the liquidity of investment certificates and voting right certificates is decreasing from one year to the next due to reconstitutions 'over time';
- investment certificates and voting right certificates are difficult and costly to manage in relation to the privileges they provide for the company;
- reconstitution is subject to stringent rules, which will become increasingly difficult to respect as reconstitutions proceed;
- investment certificates and voting right certificates have been rendered obsolete by the order of 24 June 2004 concerning the reform of transferable securities, which has resulted in the creation of new financial instruments and rendered it impossible to issue new investment certificates and voting right certificates.

This reconstitution will proceed in accordance with applicable regulations under the following terms:

voting right certificates will be acquired by Bouygues at a price determined by the general shareholders' meeting. The amount of compensation due to the unidentified holders will be duly recorded. The reconstitution will be effected by the transfer by Bouygues of the corresponding voting right certificates to holders of investment certificates at no cost.

In its valuation, the Board of Directors has not used financial criteria relating to the value of the assets, the profits made and the company's business prospects that are not relevant for a voting right certificate.

The main methods that may be used to determine the value of a voting right certificate are as follows:

- ***difference between the share price and the price of the investment certificate***

This method is not relevant as prices of investment certificates are not quoted regularly and therefore their price development is inconsistent.

- ***valuation based on the quoted price of the voting right certificate***

Prices of voting right certificates are quoted almost daily. Trading volumes are low but in general fairly regular. However, although the price has remained stable at around €2 since 2002, it has risen recently to a peak of €5.24, with no clear correlation with the increase in the share price.

- ***peer comparison valuation***

There are few transactions of a similar nature. The only really comparable transaction is that carried out by L'Oréal in 1999. Other transactions are similar but there are disparities between these transactions, each of which has its own specific features. However, certain elements from comparable transactions may be used.

- ***valuation based on the quoted price of the voting rights certificate relative to the quoted share price***

The most relevant method and that used by the Board takes into account the value of the voting right certificate expressed as a percentage of the share price. This method has also been used in previous transactions and allows for adjustments at the date of the Board meeting for the share price. It will be proposed to the Board that this percentage will be determined by referring to the average value of the voting right certificate relative to the Bouygues share price over a three-month period from 15 November 2005 to 14 February 2006 inclusive, weighted by trading volumes of the voting rights certificate.

Trading data for the period from 15 November 2005 to 14 February 2006 (inclusive) – source: Euronext

From 15 November 2005 to 14 February 2006, Bouygues' average share price weighted by trading volumes was €42.39 (non-weighted average of €42.44) and €3.64 for voting right certificates (non-weighted average of €3.54).

	Share data				
	Price	Minimum	Maximum	Average volume	No. of quotations
Average	42.44	40.00	46.19	1,207,919	65
Weighted average	42.39				

	Voting right certificates					Value of voting right certificate relative to share price		
	Price	Minimum	Maximum	Average volume	No. of quotations	Average	Minimum	Maximum
Average	3.54	2.60	5.24	376	48	8.35%	6.31%	11.63%
Weighted average	3.64					8.48%		

The average ratio of the value of voting right certificates to the share price, calculated only for dates for which the voting right certificates were listed, weighted by the trading volume of voting right certificates, is 8.48% (non-weighted average of 8.35%). The relative value of Bouygues' voting right certificates is therefore 8.48% of the share price.

Purchase price – premium

In determining the purchase price for voting right certificates, as is regularly the practice in similar transactions, it is legitimate to offer a premium to the relative value of the voting right certificates as determined above.

For tender offers or similar or comparable transactions over the last 12 years, the average premium offered to the value of voting right certificates relative to the share price is 40% and has never exceeded 62%.

			Relative value of voting right certificate		
		Date	under the terms of the offer (%)	over prior period (%)	Premium(*) (%)
Eridania Beghin Say	Demerger	June 2001	5.0%	3.6%	38.1%
L'Oréal	Bond redemption	June 1999	6.0%	4.0%	50.0%
Piper Heidsieck	Squeeze-out offer	April 1997	3.6%	2.8%	27.7%
OGF-PFG	Squeeze-out offer	July 1996	13.3%	8.3%	61.4%
Financière St Fiacre	Minority buyout offer	April 1996	28.0%	23.5%	19.1%
Eridania Beghin Say	Share exchange offer	June 1995	6.3%	7.4%	-15.9%
L'Oréal	Share exchange offer	June 1993	40.0%	41.1%	-2.6%
Average					
Overall			14.6%	13.0%	25.4%
Excluding share exchange offers			11.2%	8.4%	39.3%
Excluding share exchange offers and demerger			12.7%	9.6%	39.6%

** ratio of the value of voting right certificates relative to the share price subject to the terms of the offer and the average value of voting right certificates relative to the share price as observed on the stock market prior to the launch of the transaction*

Given the high value of the voting right certificates relative to the share price (8.48%) and the need to protect the interests of Bouygues' shareholders while also offering a fair price to holders of voting right certificates, a premium of 50% is proposed (equivalent to the premium offered in the L'Oréal transaction), representing an offer price of 12.73% of Bouygues' weighted average share price over the three months prior to 28 February 2006 (€42.89), or €5.46 per voting right certificate.

This valuation has been assessed by Détroyat Associés, an independent expert appointed to issue a fairness opinion on the proposed price.

As at 28 February 2006, there were 473,424 voting right certificates. Based on this number, the transaction would cost Bouygues €2,584,895.

The reconstitution of voting right certificates and investment certificates as shares will take effect as of 18 May 2006, after which the purchase price will be paid.

The extraordinary general meeting will give a verdict relating to a report prepared by an expert appraiser on the special privileges conferred, in accordance with Articles L. 228-31 and L. 225-147 of the Commercial Code.

The extraordinary general meeting may only give a decision after the proposed reconstitution is approved by the holders of voting right certificates, who will attend a special meeting, with a 95% majority of holders present in person or represented by proxy.

A special meeting of holders of voting right certificates has been called for this purpose and is due to take place by first notice on 12 April 2006 or in the event that a quorum is not obtained, by second notice on 26 April 2006.

Consequently, we ask you, subject to the adoption of this proposed reconstitution by the special meeting, to approve the proposed reconstitution of existing investment certificates and voting right certificates as shares as presented above.

If the resolution is rejected by the special meeting, this resolution will no longer be submitted to the shareholder vote at the Annual General Meeting.

We ask you to vote on the resolutions put to you.

The Board of Directors

EXPERT APPRAISER'S REPORT ON SPECIAL PRIVILEGES

Ladies and gentlemen,

By an order dated 1 March 2006, the Chairperson of the Paris Commercial Court appointed Jean-Charles de Lasteyrie as expert appraiser, with the task of assessing the value of special privileges that may result from the reconstitution of investment certificates and voting right certificates as shares under article L. 228-31 of the Commercial Code.

We have carried out our appraisal in accordance with article L. 225-147 of the Commercial Code, as amended by the order of 24 June 2004 which altered the rules regarding securities issued by commercial companies, and with the standards of the CNCC (French national auditors' association) in force at 14 August 2003.

The plan to reconstitute investment certificates and voting right certificates as shares was finalised in the Board of Directors' report provided to us.

It is our task to express an opinion on the assessment of the stipulated special privileges.

Our findings are set out below:

1. Presentation of the operation and description of the special privilege
    - 1.1 Context of the planned operation
    - 1.2 Description of the special privilege
2. Work done and assessment of the value of the special privilege
    - 2.1 Work done
    - 2.2 Assessment of the value of the special privilege
3. Conclusion

1. Presentation of the operation and description of the special privilege

1.1 Context of the planned operation

Article 7 of your company's by-laws states that its equity capital is €336,762,896. It is divided into 336,762,896 shares with par value of €1 each.

According to the Board of Directors' report dated 28 February 2006, 473,424 shares have been split into the same number of investment certificates and voting right certificates. These shares may be reconstituted under the conditions provided by law. The investment certificates represent around 0.14% of your company's equity capital. The investment certificates and voting right certificates are listed in the A compartment of Euronext Paris.

The Board of Directors proposes to simplify the structure of your company's equity capital by reconstituting the investment certificates and voting right certificates as shares.

This will eliminate the cost that is currently incurred in managing the two types of certificate, which is deemed excessive in relation to the privileges they provide for the company and its shareholders.

1.2 Description of the special privilege

To proceed with this reconstitution, your company is using the procedure set out in article L. 228-31 of the Commercial Code. This allows companies whose shares are listed for trading on a regulated market and whose investment certificates represent less than 1% of their capital to reconstitute existing certificates as shares.

The reconstitution procedure is as follows:

- your company buys back voting right certificates from holders.
- The voting right certificates bought back in this way are allocated free of charge to investment certificate holders, and the two types of certificate held by the same person can be reconstituted as shares.

Firstly, a special meeting of voting right certificate holders must approve the plan, with a majority of 95% of holders present or represented by proxy. A special meeting of voting right certificate holders has been called for this purpose and is due to take place by first notice on 12 April 2006 or, in the event that a quorum is not obtained, by second notice on 26 April 2006.

An independent appraiser, Détroyat Associés, has been appointed to assess the fairness of the price offered for both voting right certificate holders and shareholders. In its report dated 3 March 2006, the independent appraiser concluded that the price of €5.46 offered to voting right certificate holders and shareholders was fair.

The special privilege lies in the allocation of voting right certificates free of charge to investment certificate holders, after your company has bought them back from voting right certificate holders.

2. Work done and assessment of the special privilege

To assess the special privileges that may arise from the reconstitution of investment certificates and voting right certificates as shares, we carried out the following work:

- we liaised with Bouygues' legal and finance departments in order to understand the background to the operation and to analyse its planned terms.
- We studied the Board of Directors' report and the text of resolutions proposed to the Annual General Meeting, including the reconstitution of investment certificates and voting right

certificates as shares and the price offered to voting right certificate holders.

- We studied the report by the independent appraiser regarding the fairness – for both voting right certificate holders and shareholders – of the price offered to voting right certificate holders.

2.1 Assessment of the value of the special privilege

Method used to set the value of voting right certificates

Your company's Board of Directors proposes to set the price of voting right certificates at €5.46 each. This price was determined according to the relationship between the quoted prices of Bouygues voting right certificates and shares, plus a 50% premium.

To calculate the relationship between the prices of Bouygues voting right certificates and shares, the Board of Directors used average voting right certificate and share prices weighted by trading volumes over a period of three months.

On this basis, the relative value of Bouygues voting right certificates was calculated to be 8.48% of the share price.

The Board of Directors then looked at the premium it was reasonable to offer voting right certificate holders. On the basis of transactions that were deemed comparable, your Board of Directors decided on a premium of 50%.

As a result, the relative value of Bouygues voting right certificates is 12.73% of the share price.

Taking into account the weighted average share price of Bouygues shares in the three months prior to 28 February 2006 (€42.39), the value of voting right certificates is €5.46 each.

The independent appraiser concluded that the price offered per voting right certificate was fair for both Bouygues voting right certificate holders and shareholders.

Assessment of the value of voting right certificates

Article L. 228-31 states that the price offered to voting right certificate holders *"shall be determined according to the terms set out in point 2 of article 283-1-1 of Act 66-537 of 24 July 1966 on commercial companies"*.

Point 2 of article 283-1-1, which was not incorporated in order 2000-912 of 18 September 2000, states that *"the valuation of securities, carried out using the objective methods used in asset sales, shall take into account asset value, profits, stockmarket value, the existence of subsidiaries and the business outlook with weightings appropriate to each case"*.

Since voting right certificates carry no non-pecuniary particular rights, the financial criteria relating to Bouygues' asset value, profits and business outlook do not apply.

It is for this reason that your Board of Directors valued the voting right certificates on the basis of their relative value with respect to the value of Bouygues shares. By taking an average share price weighted for trading volumes over three months, occasional fluctuations arising due to the low liquidity of voting right certificates can be smoothed out. The operation was compared with similar operations to determine the premium to be offered to voting right certificate holders.

A premium is applied to this kind of operation due to the need to make an attractive proposal to voting right certificate holders, since 95% of voting right certificate holders present or represented by proxy in the meeting must approve the operation if it is to proceed. The premium is 50% relative to the weighted-average price during the three months prior to 14 February 2006 (the date on which the Board of Directors chose to end the calculation period), 36.2% relative to the unweighted average share price over a 1-month period (€4.01) and 4.2% relative to the highest voting right certificate price in the previous month (€5.24).

Based on a price of €5.46, the cost of buying back the voting right certificates will be around €2.6m before tax.

3. Conclusion

The stipulated special privileges form part of a plan to reconstitute investment certificates and voting right certificates as shares, and we have no comment to make on them.

Paris, 24 March 2006

Jean-Charles de Lasteyrie

FAIRNESS OPINION BY INDEPENDENT APPRAISER DÉTROYAT ASSOCIÉS

As part of the planned squeeze-out offer for its 473,867 voting right certificates (hereinafter "VRC"s) currently in issue, with a view to allocating them free of charge to holders of investment certificates (hereinafter "IC"s), Détroyat Associés has been appointed as an independent appraiser to give a fairness opinion on the price of €5.46 per VRC.

The method used by Bouygues' Board of Directors in setting this price involved i) determining the value of a VRC relative to that of an ordinary Bouygues share, and ii) assessing the premium that should be offered on top of this relative value, in view of comparable transactions that have taken place on the Paris stock exchange. We approve this approach.

In carrying out our appraisal, we looked at historical price and volume data for both Bouygues VRCs and ordinary shares, provided by Euronext. We also used our own experience in this type of transaction.

I. Analysis of the relative value of VRCs

The tables below set out market data (at 14 February 2006) for Bouygues shares and VRCs, based on the closing price for ordinary shares.

	Bouygues ordinary share				
	Price	Minimum	Maximum	Average volume	Number of quotations
14/02/2006	45.50	45.16	45.69	727,660	1
1 month					
Average	44.45	42.05	46.19	1,057,787	22
Weighted average	44.43				
3 months					
Average	42.44	40.00	46.19	1,207,919	65
Weighted average	42.39				
6 months					
Average	40.38	35.81	46.19	1,325,715	131
Weighted average	40.10				
1 year					
Average	36.50	29.78	46.19	1,315,627	258
Weighted average	36.38				
2 years					
Average	33.05	25.94	46.19	1,324,880	517
Weighted average	32.99				
3 years					
Average	30.08	16.61	46.19	1,336,520	771
Weighted average	29.93				

Source: Euronext

Unlike the listed VRCs of other companies, which have very low liquidity and for which prices are not quoted regularly, we note that Bouygues VRCs are regularly traded in the market, with prices quoted on 202 days in the last 12 months, as opposed to 258 for Bouygues ordinary shares. However, we note the VRCs' low trading volumes, with 54,022 VRCs traded (giving a turnover rate of around 11.4%) as opposed to 339 million Bouygues shares traded during the same period.

	Voting right certificates				
	Price	Minimum	Maximum	Average volume	Number of quotations
14/02/2006	3.91	3.91	3.91	300	1
1 month					
Average	4.01	3.45	5.24	523	14
Weighted average	3.77				
3 months					
Average	3.54	2.60	5.24	376	48
Weighted average	3.64				
6 months					
Average	3.22	2.11	5.24	321	93
Weighted average	3.37				
1 year					
Average	2.57	1.85	5.24	267	202
Weighted average	2.80				
2 years					
Average	2.28	1.80	5.24	243	409
Weighted average	2.45				
3 years					
Average	2.14	1.40	5.24	255	596
Weighted average	2.25				

Source: Euronext

The table below sets out the relative value of a VRC expressed as a percentage of the value of a Bouygues ordinary share. The calculation only takes into account days on which VRC prices were quoted. Weighted averages are based on VRC trading volumes.

	Value of VRC relative to share price	
	Average	Weighted average
14/02/2006	8.59%	8.59%
1 month	9.08%	8.38%
3 months	**8.35%**	**8.48%**
6 months	7.95%	8.20%
1 year	7.00%	7.36%
2 years	6.86%	7.07%
3 years	7.13%	7.33%

The decision by Bouygues' Board of Directors to apply the volume-weighted 3-month average relative value means that recent relative movements in the two types of Bouygues securities can be taken into account, while preventing one-off fluctuations from biasing the figures excessively. The figure adopted by Bouygues (8.48%) is the highest average figure calculated.

Bouygues' Board of Directors has decided to apply this 8.48% figure to the volume-weighted average price of Bouygues ordinary shares in the three months until the day before its decision, i.e. 27 February 2006. As a result, the reference value of the VRC is €3.64.

II. Premiums offered in similar transactions

In the absence of any method recognised by the academic or financial communities for assessing the value of an individual voting right, we approve the decision taken by Bouygues' Board of Directors not to attempt an intrinsic valuation. The only appropriate method is to carry out a comparison with listed peers. Since a direct comparison of different companies' VRC prices would not be meaningful, we approve the method of comparing VRC values relative to share prices.

As a result, to assess the price offered by Bouygues for the buyback of its VRCs, the premium offered with respect to the VRC reference value has been compared with premiums offered in comparable transactions. This method does not take into account offers for unlisted VRCs. However, we note that in the VRC squeeze-outs carried out by Société du Louvre and Groupe Taittinger in 2005, the price offered corresponded to 12% of the companies' respective share prices. The price of €5.46 offered per Bouygues VRC equals 12.73% of the 3-month volume-weighted average price of Bouygues shares at 27 February 2006.

We have identified seven public offers since 1993 in which the premium offered to VRC holders can be calculated. For each of these transactions, we have compared the price offered (or the exchange value of the securities offered) per VRC, expressed as a percentage of the ordinary share price, with the relative value per VRC expressed as a percentage of the ordinary share price, as determined by stockmarket prices in the months prior to the offer.

Company	Transaction	Securities concerned	Date	VRC value / ordinary share value		Premium of the offer
				Terms of the offer	3 previous months*	
Eridania Beghin Say	Demerger**	Shares, ICs, VRCs	June 2001	5.00%	3.62%	**38.10 %**
L'Oréal***	Squeeze-out offer	VRCs	June 1999	6.00%	4.00%	**50.00%**
Piper Heidsieck	Squeeze-out offer	Shares, ICs, VRCs	April 1997	3.61%	2.83%	**27.67%**
OGF-PFG	Squeeze-out offer	Shares, ICs, VRCs	July 1996	13.33%	8.26%	**61.44%**
Financière St Fiacre	Minority buyout offer	Shares, ICs, VRCs	April 1996	28.00%	23.50%	**19.15%**
Eridania Beghin Say	Share exchange offer	ICs / VRCs	June 1995	6.25%	7.43%	**-15.86%**
L'Oréal	Share exchange offer	ICs / VRCs	June 1993	40.00%	41.08%	**-2.62%**
Average						**25.41%**
Minimum						-15.86%
Maximum						61.44%
Average excluding share exchange offers						**39.27%**
Average excluding share exchange offers and demergers						**39.56%**

* *relative value based on quoted VRC prices in the three months prior to the offer except for:*
- Eridania Beghin Say demerger: data taken over a 1-year period (only 1 VRC price quotation in the 6 months prior to the offer)
- Piper Heidsieck squeeze-out offer: data taken over a 6-month period (no VRC price quotations in the 3 months prior to the offer)

** *Eridania Beghin Say (EBS) was split into four companies in May 2001, with shareholders receiving one share in each of Beghin Say, Cereol, Provimi and Cerestar for each EBS share held. As part of this transaction, one share in each of Beghin Say, Cereol, Provimi and Cerestar were exchanged for 20 EBS VRCs.*

*** *calculation at 20 January 1999, on which date Détroyat Associés signed its appraisal confirming the fairness of a VRC price equal to 6% of the ordinary share price*

Sources: information memorandums, annual reports

The premiums observed in public offers vary widely, ranging from -16% to +61%, with an average of 25%. Limiting our analysis to squeeze-out and buyback offers, the average is 39.6%.

Bouygues' Board of Directors has decided to offer €5.46 per VRC, i.e. a premium of 50% to the previously determined reference value of €3.64. This premium is identical to that used in the two most recent transactions, and is substantially higher than the average premiums calculated above, although it is lower than the highest premium observed (61.44%).

Conclusion

Analysing the prices of Bouygues VRCs and ordinary shares in the three months to 14 February 2006, we calculate that the VRC's value is 8.48% of the ordinary share's value.

Taking into account the volume-weighted average price of Bouygues' ordinary shares in the three months to 27 February 2006 (€42.89), the price per VRC offered (€5.46) shows a 50% premium to the VRC reference price.

Premiums applied in public offers for VRCs vary widely. The mandatory nature of the planned squeeze-out leads us to conclude that a 50% premium is fair. It lies within the observed range of premiums, and is equal to or higher than the premiums offered in the three similar transactions carried out in the last nine years, although it is lower than the highest premium offered ten years ago.

As a result, the price of €5.46 offered per VRC is fair for both VRC holders and for Bouygues shareholders.

Paris, 3 March 2006

Détroyat Associés

1. ORDINARY PART

First resolution

(Approval of the parent company accounts for 2005 and discharge of directors)

The Annual Meeting, taking its decision under the quorum and majority voting conditions for ordinary shareholders' meetings, having acquainted itself with the Board of Directors' annual report on the company's business and situation in 2005, the Chairman's report attached to the business report, the auditors' general report on the accounts for the year and the auditors' report on the Chairman's report, approves the parent company accounts as at 31 December 2005 as presented, showing net profit of €260,833,378.18, and the transactions recorded in the accounts or summarised in the reports. The Annual Meeting approves the choice of accounting method for retirement benefits, resulting in a reduction of €5,185,467 in retained earnings.

The Annual Meeting gives the directors full discharge for performance of their duties in 2005.

Second resolution

(Approval of the consolidated financial statements for 2005)

The Annual Meeting, taking its decision under the quorum and majority voting conditions for ordinary shareholders' meetings, having acquainted itself with the Board of Directors' annual report on the company's business and situation, the Chairman's report attached to the business report, the auditors' report on the consolidated financial statements and the auditors' report on the Chairman's report, approves the consolidated financial statements at 31 December 2005 as presented, showing net profit attributable to the Group of €832,170,000, and the transactions recorded in the accounts or summarised in the reports.

Third resolution

(Appropriation of earnings, amount of dividend)

The Annual Meeting, taking its decision under the quorum and majority voting conditions for ordinary shareholders' meetings, having acquainted itself with the Board of Directors' annual report and noting that distributable earnings amount to €537,180,016.80, decides:

- to distribute a first net dividend (5% of par) of €0.05 per share or per investment certificate, representing a total amount of €16,838,144.80;
- to distribute an additional net dividend of €0.85 per share or per investment certificate, representing a total amount of €286,248,461.60;
- to carry over the remainder in the amount of €234,093,410.40.

The dividend of €0.90 per share and per investment certificate will be paid in cash from 3 May 2006.

In accordance with Article 158.3.2 of the General Tax Code, natural persons resident in France for tax purposes from 1 January 2006 will be eligible for 40% tax relief on the dividend, or €0.36 per share and per investment certificate.

No earnings other than the above-mentioned dividend, whether eligible or not for the 40% rebate, are distributed in respect of this meeting.

Should the company hold some of its own stock when the dividend is distributed, the sum corresponding to the amount of dividend not paid because of the nature of such stock shall be allocated to retained earnings.

The Annual Meeting notes that the Board of Directors has fulfilled its statutory obligation to state the amount of dividends distributed in the last three years.

	2002	2003	2004	Exceptional payout(2)
Number of shares	344,361,919	333,199,969	332,758,624	332,758,624
Dividend	€0.36	€0.50	€0.75	€2.52
Tax credit(1)	€0.18	€0.25	-	-
Total dividend per share	€0.54	€0.75	€0.75	€2.52
Total dividend	€121,089,514.32	€166,423,811.00	€248,928,093.00	€838,551,732.48
Distributed earnings eligible for tax relief in accordance with Article 158.3.2 of the General Tax Code	-	-	€248,928,093.00	€838,551,732.48

(1) on the basis of a 50% tax rate

(2) The amounts shown relate to the fraction similar to a dividend for tax purposes of the exceptional payout of €5.00 per share or per investment certificate decided by the shareholders' meeting of 7 October 2004 and made on 7 January 2005. This payout qualifies for tax purposes as an exceptional dividend of €2.52 and a capital repayment of €2.48.

Fourth resolution

(Transfer of the balance from the special long-term capital gains reserve to the "Other reserves" account)

The Annual Meeting, taking its decision under the quorum and majority voting conditions for ordinary shareholders' meetings, having acquainted itself with the Board of Directors' annual report and having regard to the provisions of Article 39 IV of the Supplementary Finance Act 2004 (Act 2004-1485 of 30 December 2004), decides to transfer €183,615,274.88 from the special long-term capital gains reserve to the "Other reserves" account, from which exceptional tax at the rate of 2.5% as stated in Article 39 IV of Act 2004-1485 of 30 December 2004 will be deducted (€4,590,381.87).

Consequently, the special long-term capital gains reserve stands at €0.

The Annual Meeting confers all powers on the Board of Directors to implement this resolution, accomplish all formalities, make all accounting entries and pay all taxes in connection herewith.

Fifth resolution

(Agreements referred to in Article L. 225-38 of the Commercial Code)

The Annual Meeting, taking its decision under the quorum and majority voting conditions for ordinary shareholders' meetings and pursuant to the provisions of Article L. 225-40 of the Commercial Code, having acquainted itself with the auditors' special report on agreements referred to in Article L. 225-38 of the Commercial Code, approves the agreements mentioned therein.

Sixth resolution

(Ratification of the co-option of a director)

The Annual Meeting, taking its decision under the quorum and majority voting conditions for ordinary shareholders' meetings, ratifies the co-option by the Board of Directors at its meeting of 13 December 2005 of Mrs Patricia Barbizet, residing at 10, rue du Dragon, 75006 Paris, as director, replacing Artémis, for the latter company's remaining term of office, i.e. on conclusion of the Annual Meeting called to approve the accounts for 2007.

Seventh resolution

(Ratification of the co-option of a director)

The Annual Meeting, taking its decision under the quorum and majority voting conditions for ordinary shareholders' meetings, ratifies the co-option by the Board of Directors at its meeting of 13 December 2005 of Mr François Jean Henri Pinault, residing at 7bis, rue des Saints Pères, 75006 Paris, replacing Financière Pinault, for the latter company's remaining term of office, i.e. on conclusion of the Annual Meeting called to approve the accounts for 2009.

Eighth resolution

(Renewal of a director's term of office)

The Annual Meeting, taking its decision under the quorum and majority voting conditions for ordinary shareholders' meetings, notes that the directorship of Mr Martin Bouygues, residing at 31, rue Delabordère, 92200 Neuilly sur Seine, expires on this day and renews his directorship for a three-year term expiring on conclusion of the annual meeting called to approve the accounts for 2008.

Ninth resolution

(Renewal of a director's term of office)

The Annual Meeting, taking its decision under the quorum and majority voting conditions for ordinary shareholders' meetings, notes that the directorship of Mrs Monique Bouygues, residing at 50, rue Fabert, 75007 Paris, expires on this day and renews her directorship for a three-year term expiring on conclusion of the annual meeting called to approve the accounts for 2008.

Tenth resolution

(Renewal of a director's term of office)

The Annual Meeting, taking its decision under the quorum and majority voting conditions for ordinary shareholders' meetings, notes that the directorship of Mr Georges Chodron de Courcel, residing at 23, avenue Mac Mahon, 75017 Paris, expires on this day and renews his directorship for a three-year term expiring on conclusion of the annual meeting called to approve the accounts for 2008.

Eleventh resolution

(Appointment of a new director)

The Annual Meeting, taking its decision under the quorum and majority voting conditions for ordinary shareholders' meetings, appoints Mr François Bertière, residing at 3, avenue Jacqueminot, 92190 Meudon for a three-year term of office as director.

His term of office will expire on conclusion of the annual meeting called to approve the accounts for 2008.

Twelfth resolution

(Ratification of the Board of Director's decision to move the registered office)

The Annual Meeting, taking its decision under the quorum and majority voting conditions for ordinary shareholders' meetings, having acquainted itself with the Board of Directors' annual report, ratifies, pursuant to Article L. 225-36 of the Commercial Code, the decision made by the Board at its meeting of 28 February 2006 to move the registered office from 90, avenue des Champs Elysées, 75008 Paris, to 32, avenue Hoche, 75008 Paris, as of 1 July 2006, and to amend article 4 of the by-laws accordingly.

Thirteenth resolution

(Authorisation given to the Board of Directors with a view to enabling the company to buy back its own shares and investment certificates)

The Annual Meeting, taking its decision under the quorum and majority voting conditions for ordinary shareholders' meetings, having acquainted itself with the Board of Directors' annual report, authorises the Board of Directions, with the option of delegating its powers, to cause the company to buy its own shares or investment certificates in compliance with the prevailing laws and regulations at the time it does so, and in particular in compliance with the conditions and obligations set forth in Articles L. 225-209 to L. 225-212 of the Commercial Code, in Commission Regulation (EC) No 2273/2003 of 22 December 2003, and Articles 241-1 to 241-6 of the General Regulations of the Autorité des Marchés Financiers.

The purpose of this authorisation is to enable the company:

- to ensure the liquidity of and organise the market for the shares, through an investment service provider acting independently under the terms of a liquidity agreement that complies with a code of conduct recognised by the Autorité des Marchés Financiers;

- to remit shares on exercise of rights attached to transferable securities giving access to the company's capital;
- to keep shares with a view to using them subsequently for payment or exchange in the context of acquisitions;
- to allocate shares to employees or corporate officers of the company or Group companies under the terms and conditions laid down by law, in particular in the framework of profit-sharing schemes, stock option schemes, corporate savings plans and inter-company savings schemes or by allocation of bonus shares;
- to cancel shares, subject to authorisation by the extraordinary shareholders' meeting;
- to implement any market practice accepted by the Autorité des Marchés Financiers and in general to carry out any other transaction that complies with the prevailing regulations.

Shares or investment certificates may be acquired in compliance with the prevailing regulations by all means, on or off the market, in particular by private contract, including by way of derivatives, and at any time, including during a tender offer or an exchange offer. There is no limit on the part of the programme that may be carried out by block trading, which may account for the entire programme.

Shares acquired may be sold under the conditions set by the Autorité des Marchés Financiers in its instruction of 6 December 2005 relating to the application of the share buy-back programme.

In the context of this authorisation, the company may acquire its own shares or investment certificates on or off the market, complying with the following limits:

- maximum purchase price of €80 per share or investment certificate;
- minimum sale price of €30 per share or investment certificate;

subject to any adjustments relating to transactions involving the share capital.

The maximum amount of funds earmarked for the programme to buy back shares and investment certificates shall be €1,500,000,000 (one and a half billion euros). The total number of shares and investment certificates held may not exceed 10% of the share capital at this date.

With a view to availing itself of the present authorisation, the Board of Directors is granted all powers, especially to assess whether it is appropriate to begin a buy-back programme and to decide the terms and conditions thereof. The Board may delegate such powers so as to place all stock market orders, conclude all agreements, in particular with a view to keeping registers of purchases and sales of shares, make all declarations to the Autorité des Marchés Financiers or any other body, accomplish all other formalities and in general do all that is necessary.

The Board, in its report to the Annual General Meeting, will provide shareholders with information about any purchases, transfers, disposals or cancellations of shares carried out in this way.

This authorisation is given for eighteen months from the date of this meeting.

It invalidates, for the unused part, any previous authorisation having the same purpose.

Fourteenth resolution

(Authorisation given to the Board of Directors to issue equity warrants in the event of a tender offer for the company's shares. This resolution will not be submitted to the shareholder vote on the assumption that, at the date of the shareholders' meeting, the draft law concerning public takeover bids will have been definitively adopted providing for a vote at the extraordinary shareholders' meeting for this type of delegation.)

The Annual Meeting, taking its decision under the quorum and majority voting conditions for ordinary shareholders' meetings, having acquainted itself with the Board of Directors' annual report and the auditors' special report, authorises the Board of Directors for a period of eighteen months from the date of the meeting, assuming that the use of such authorisation is permitted by prevailing laws and regulations, in the event of a tender offer for the company's shares and in compliance with legal and regulatory requirements in force at the time, to issue equity warrants allowing holders to subscribe to shares in the company under preferential conditions and to allocate these warrants to shareholders at no cost.

The Annual Meeting decides that the total nominal amount of capital increase that may result from the exercise of these warrants may not exceed €150,000,000 (one hundred and fifty million euros), such amount being set against the overall limit stipulated in the tenth resolution of the Annual General Meeting of 28 April 2005 (delegation of powers to the Board of Directors to increase the capital, preserving the preferential subscription right) and that the number of equity warrants that may be issued may not exceed 450,000,000 (four hundred and fifty million).

The Annual Meeting decides that the Board of Directors will have full powers to determine the terms for the exercise of these equity warrants, which must relate to the terms of the offer or any other rival offer, as well as the other characteristics of the warrants, including the exercise price or how the price is determined, as well as the general characteristics and terms of any issue decided on the basis of this authorisation.

The Annual Meeting notes that this authorisation entails a waiver by shareholders of their preferential right to subscribe the ordinary shares in the company to which warrants issued on the basis of this authorisation may give entitlement.

The Annual Meeting notes that investment certificate holders, at a special meeting on this day, have expressly waived their preferential right to subscribe non-voting preference shares having the same rights as investment certificates to which warrants issued on the basis of this authorisation may give entitlement.

2. EXTRAORDINARY PART

Fifteenth resolution

(Reconstitution of investment certificates and voting right certificates. This resolution will only be submitted to the shareholder vote if the special meeting of holders of voting right certificates, due to be held by first notice on 12 April 2006, or in the event that a quorum is not obtained, by second notice on 26 April 2006, approves by a majority the proposal relating to the reconstitution of investment certificates and voting right certificates as shares.)

The Annual Meeting, taking its decision under the quorum and majority voting conditions for ordinary shareholders' meetings, and subject to the conditions required for the allocation of special privileges, having acquainted itself with:

- the Board of Directors' report and expert appraiser's report on special privileges;
- the assessment of Détroyat Associés, acting as an independent expert, verifying the fairness of the purchase price offered by the company

for voting right certificates to shareholders and holders of voting right certificates;

- approval, with the required majority of 95% holders present in person or represented by proxy, by the special meeting of holders of voting right certificates of the proposed reconstitution of existing certificates as shares;

1. approves the proposed reconstitution of existing certificates as shares as presented by the Board of Directors in accordance with Article L. 228-31 of the Commercial Code and, more specifically, the purchase by the company of all voting right certificates at a price equal to €5.46 per voting right certificate and the transfer of the corresponding voting right certificates to holders of investment certificates at no cost;

2. decides to carry out this reconstitution and grants full powers to the Board of Directors to amend the by-laws accordingly by removing:

   - paragraphs 2, 4, 5, 6 and 7 of Article 7 (Share capital), which will now read as follows:

   "The share capital is equal to €336,762,896, divided into 336,762,896 fully paid-up shares of €1 par each.

   The share capital may be redeemed, reacquired, increased or reduced under the conditions and within the limits provided by law."

   - the reference to investment certificates and voting right certificates in Article 8.1 (Form – Registration), which will now read as follows:

   "Fully paid-up shares may be in registered or bearer form at the owner's discretion.

   Shares shall be registered in accounts under the conditions provided by law."

   - The second paragraph of Article 9 (Transfer of shares) and the reference to investment certificates and voting right certificates in the first paragraph of this article, which will now read as follows:

   "Shares shall be transferred from account to account under the conditions provided by law."

   - the reference to investment certificates and voting right certificates in Article 10 (Rights to assets and obligations attached to shares), which will now read as follows:

   "Each share gives entitlement, with regard to ownership of corporate assets and distribution of profits, to a share equal to the portion of the capital that it represents.

   Shareholders shall bear losses only up to the amount of their contributions or the value of their shares.

   The rights and obligations attached to each share, including rights to dividends or to a share of reserves, are vested in the owner thereof as of the time they are registered in an account in his name or in his favour.

   Shareholders are bound by the present by-laws and by all decisions of shareholders' meetings."

   - the reference to investment certificates in Article 24 (Distribution of profits), which will now read as follows:

   "At least five per cent (5%) of the year's profits, minus previous losses if any, shall be retained in order to constitute the reserve required by law. Such requirement ceases to be mandatory when the reserve is equal to one-tenth of the share capital. It becomes mandatory again if the reserve falls below one-tenth of the share capital, for whatever reason.

   The distributable profit comprises the profit for the year, minus previous losses and the amount retained for the legal reserve as appropriate, plus retained earnings, if any. The following shall be retained from such distributable profit:

   a) the sum required to pay shareholders, by way of a first dividend, five per cent (5%) of the paid-up and non-redeemed amount of their shares. However, if a year's profits are insufficient to allow such payment, shareholders may not claim it on the profits of subsequent years;

   b) all reserves or retained earnings that the shareholders' meeting may decide and whose appropriation and utilisation it shall determine.

   The remaining distributable profit shall be divided between shareholders.

   The shareholders' meeting deciding on the appropriation of profits may allow each shareholder, for some or all of the distributed dividend, to choose between payment of the dividend in cash or in shares."

   - the reference to investment certificates in Article 25 (Liquidation), which will now read as follows:

   "Should the company expire or be dissolved, the ordinary shareholders' meeting shall settle the method of liquidation and shall appoint one or more liquidators, whose powers it shall determine.

   The liquidation bonus shall be divided between shares without distinction."

   - the reference to investment certificates and voting right certificates in Article 26 (Disputes), which will now read as follows:

   "All disputes relating to company matters that may arise during the company's lifetime or during its liquidation, whether between shareholders and the company or its directors, or between shareholders themselves, shall be referred to the competent courts of the place where the company has its registered office."

   - more generally, all references to investment certificates and voting right certificates;

   - all references to their holders.

Sixteenth resolution

(Authorisation given to the Board of Directors to use delegations and authorisations in order to increase the company's share capital in the event of a tender offer for the company's shares.)

The Annual Meeting, taking its decision under the quorum and majority voting conditions for ordinary shareholders' meetings, having acquainted itself with the Board of Directors' report and the auditors' special report, expressly authorises the Board of Directors, for a period of fourteen months from the date of this meeting, assuming that the use of such authorisation is permitted by prevailing laws and regulations, in the event of a tender offer for the company's shares and in compliance with the legislative and regulatory requirements in force at that date, to use the different delegations of competence, delegations of powers and authorisations provided by the general meeting of 28 April 2005 to increase the company's share capital by any means under the conditions and within the limits provided by the following resolutions:

- tenth resolution *(Delegation of powers to the Board of Directors to increase the capital, presenting the preferential subscription right, by issuing ordinary shares or transferable securities giving access to ordinary shares in the company or in a company of which it owns more than half the capital);*

- eleventh resolution *(Delegation of powers to the Board of Directors to increase the share capital by incorporating premiums, reserves or earnings);*

- twelfth resolution *(Delegation of powers to the Board of Directors to increase the capital, cancelling the preferential subscription right, by issuing ordinary shares or transferable securities giving access to ordinary shares in the company or in a company of which it owns more than half the capital);*

- thirteenth resolution *(Authorisation given to the Board of Directors to increase the number of securities to be issued in the event of a capital increase with or without preferential subscription rights);*
- fourteenth resolution *(Authorisation given to the Board of Directors to set, under terms decided by the shareholders' meeting, the issue price for a public offering, without preferential subscription rights, of stock or transferable securities giving access to the capital, within the limit of 10% of the capital);*
- fifteenth resolution *(Delegation of powers to the Board of Directors to carry out a capital increase with a view to remunerating contributions in kind consisting of a company's stock or transferable securities giving access to the capital);*
- sixteenth resolution *(Delegation of powers to the Board of Directors to increase the capital, without preferential subscription rights, in order to remunerate securities tendered in the event of an exchange offer);*
- seventeenth resolution *(Delegation of powers to the Board of Directors to increase the capital in favour of employees of the company or of Group companies who are members of a corporate savings plan);*
- eighteenth resolution *(Delegation of powers to the Board of Directors to issue shares following the issuance by a Bouygues subsidiary of transferable securities giving immediate or future access to shares in the company);*

The Annual Meeting notes that investment certificate holders, at a special meeting on this day, have, in the event of an issue with the cancellation of the preferential subscription right, waived their preferential right to subscribe non-voting preference shares having the same rights as investment certificates, and noted that this resolution entails a waiver of their preferential right to subscribe non-voting preference shares having the same rights as investment certificates to which transferable securities issued on the basis of this authorisation may give entitlement.

Seventeenth resolution

(Authorisation given to the Board of Directors to issue equity warrants in the event of a tender offer for the company's shares. This resolution will not be submitted to the shareholder vote on the assumption that, at the date of the shareholders' meeting, the draft law concerning public takeover bids will have been definitively adopted providing for a vote at the ordinary shareholders' meeting for this type of delegation.)

The Annual Meeting, taking its decision under the quorum and majority voting conditions for ordinary shareholders' meetings, having acquainted itself with the Board of Directors' report and the auditors' special report, authorises the Board of Directors, for a period of eighteen months from the date of this meeting, to issue, assuming that the use of such authorisation is permitted by prevailing laws and regulations, in the event of a tender offer for the company's shares and in compliance with the legislative and regulatory requirements in force at that date, equity warrants allowing holders to subscribe to shares in the company under preferential conditions and to allocate these warrants to shareholders at no cost.

The Annual Meeting decides that the total nominal amount of capital increase that may result from the exercise of these warrants may not exceed €150,000,000 (one hundred and fifty million euros), such amount being set against the overall limit stipulated in the tenth resolution of the Annual General Meeting of 28 April 2005 (delegation of powers to the Board of Directors to increase the capital, preserving the preferential subscription right) and that the number of equity warrants that may be issued may not exceed 450,000,000 (four hundred and fifty million).

The Annual Meeting decides that the Board of Directors will have full powers to determine the terms for the exercise of these equity warrants, which must relate to the terms of the offer or any other rival offer, as well as the other characteristics of the warrants, including the exercise price or how the price is determined, as well as the general characteristics and terms of any issue decided on the basis of this authorisation.

The Annual Meeting notes that this authorisation entails a waiver by shareholders of their preferential right to subscribe the ordinary shares in the company to which warrants issued on the basis of this authorisation may give entitlement.

The Annual Meeting notes that investment certificate holders, at a special meeting on this day, have expressly waived their preferential right to subscribe non-voting preference shares having the same rights as investment certificates to which warrants issued on the basis of this authorisation may give entitlement.

Eighteenth resolution

(Authorisation given to the Board of Directors to reduce the company's share capital by the cancellation of treasury stock)

The Annual Meeting, taking its decision under the quorum and majority voting conditions for ordinary shareholders' meetings, having acquainted itself with the Board of Directors' report and the auditors' special report:

1. authorises the Board of Directors, in accordance with the provisions of Article L. 225-209 of the Commercial Code, to cancel, at its own discretion, on one or more occasions, all or some of the shares in the company acquired by exercise of the various authorisations to buy back shares granted to the Board by the shareholders' meeting, up to a limit of 10% of the authorised capital per twenty-four month period;
2. authorises the Board of Directors to charge the difference between the purchase value and the par value of cancelled shares to premiums and available reserves;
3. delegates to the Board of Directors, with the option of subdelegating under the conditions provided by law, all powers to carry out the capital reduction or reductions following the cancellation of shares as authorised by this resolution, cause the corresponding accounting entries to be made, amend the by-laws accordingly and in general accomplish all the necessary formalities;
4. grants the present authorisation for eighteen months;
5. notes that this authorisation invalidates any previous authorisation having the same purpose.

Nineteenth resolution

(Delegation of powers for the Board of Directors to issue non-voting preference shares having the same rights as investment certificates. This resolution will only be submitted to the shareholder vote if the fifteenth resolution relating to the reconstitution of investment certificates and voting right certificates as shares has not been submitted at this meeting or has not been approved.)

The Annual Meeting, taking its decision under the quorum and majority voting conditions for ordinary shareholders' meetings, having acquainted itself with the Board of Directors' report and the auditors' special report and in accordance with Articles L. 225-129-2, L. 228-12 et seq., L. 228-91 and L. 228-92 of the Commercial Code:

1. delegates to the Board of Directors, with the option of subdelegating to any person authorised by law, powers to decide the issuance in favour of investment certificate holders of

(i) non-voting preference shares having the same rights as investment certificates and (ii) all transferable securities of whatever kind, issued for valuable consideration or free of charge, giving access by all means, immediately or in the future, to non-voting preference shares having the same rights as investment certificates, and the buy-back and conversion, under the conditions set forth in Article 7 of the by-laws, of non-voting preference shares having the same rights as investment certificates, up to a maximum nominal amount of €10,000,000 (ten million euros), given that the nominal amount of all preference shares issued under the terms of this delegation may not exceed 25% of the share capital;

2. decides in accordance with Article 7 of the by-laws as amended that the non-voting preference shares and the transferable securities giving immediate or future access to the above-mentioned non-voting preference shares shall have the same characteristics as the issued transferable securities that led to their issue and shall be issued under the same terms and conditions, subject to a possible discount linked to the estimated value of the voting right;

3. decides that the transferable securities giving access to non-voting preference shares having the same characteristics as investment certificates issued in this way may consist of debt securities or be associated with the issue of such securities or enable such securities to be issued as intermediate securities. In particular, they may be subordinated or not, and be issued in euros or foreign currency or any other monetary unit established with reference to several currencies.

   The nominal amount of debt securities issued in this way may not exceed €10,000,000 (ten million euros) or the equivalent value in euros at the date the issue is decided, given that such amount does not include redemption premiums over par, if any. This amount is independent of and separate from the amount of debt securities, the issues of which is provided for by the twelfth, fifteenth, sixteenth and twenty-first resolutions put to shareholders' meeting of 28 April 2005; it is also independent of and separate from the amount of debt securities whose issuance might be decided or authorised by the Board of Directors pursuant to Article L. 228-40 of the Commercial Code. The securities (giving access to non-voting preference shares having the same characteristics as investment certificates) may bear interest (which may be capitalised) at a fixed or floating rate; they may be redeemed with or without a premium or amortised or purchased on the market or be the subject of a tender or exchange offer from the company;

4. decides that the Board of Directors shall have all powers to implement this delegation, including by concluding any agreement to that end, in particular with a view to completing any issue, to make the above-mentioned issues on one or more occasions, in such proportion and at such times as it may deem appropriate, in France or elsewhere or on the international market – and, as appropriate, to postpone such issue – to note completion of the issue and amend the by-laws accordingly and to accomplish all formalities, make all declarations and request all authorisations that may prove necessary to the satisfactory conduct and completion of such issues.

5. grants the present powers for eighteen months and notes that this authorisation invalidates any previous authorisation having the same purpose.

Twentieth resolution

(Amendment of the by-laws)

The Annual Meeting, taking its decision under the quorum and majority voting conditions for ordinary shareholders' meetings, having acquainted itself with the Board of Directors' report, decides to amend the first paragraph of Article 18 (Supervisors) of the by-laws as follows:

Old wording

"The ordinary shareholders' meeting may appoint one or more supervisors for a six-year term."

New wording

"The ordinary shareholders' meeting may appoint one or more supervisors for a three-year term. However, the term of office of supervisors in office at the date of the shareholders' meeting of 27 April 2006 shall be six years."

Twenty-first resolution

(Powers to carry out formalities)

The Annual Meeting grants all powers to the bearer of an original, copy or extract of the minutes of this meeting to carry out all legal or administrative formalities and to make all filings and notifications required by the prevailing laws and regulations.

CERTIFICATE OF RESPONSIBILITY

Having taken all reasonable steps to that end, I certify that to the best of my knowledge the information contained in this Annual Report accurately reflects the true situation and that there are no material omissions.

The statutory auditors, Ernst & Young Audit and Mazars & Guérard, have provided me with an opinion in which they state that they have verified the information about the financial situation and accounts provided in this Annual Report, and that they have read the Annual Report as a whole.

The statutory auditors have prepared reports, containing observations, on the historical financial information provided in this Annual Report. They are listed on the inside front page of this Annual Report.

Saint-Quentin-en-Yvelines, 11 April 2006

Martin Bouygues

Chairman and CEO

Bouygues Construction
Challenger - 1 avenue Eugène Freyssinet
78061 Saint-Quentin-en-Yvelines cedex
France
Tel.: +33 1 30 60 33 00
www.bouygues-construction.com

Bouygues Immobilier
150 route de la Reine
92513 Boulogne-Billancourt cedex
France
Tel.: +33 1 55 38 25 25
www.bouygues-immobilier.com

Colas
7 place René Clair
92653 Boulogne-Billancourt cedex
France
Tel.: +33 1 47 61 75 00
www.colas.fr

TF1
1 quai du Point du jour
92656 Boulogne-Billancourt cedex
France
Tel.: +33 1 41 41 12 34
www.tf1.fr

Bouygues Telecom
Arcs de Seine - 20 quai du Point du jour
92640 Boulogne-Billancourt cedex
France
Tel.: +33 1 39 26 75 00
www.bouyguestelecom.fr

BOUYGUES

Challenger - 1 avenue Eugène Freyssinet 78061 Saint-Quentin-en-Yvelines cedex - France - **Tel.: +33 1** 30 60 23 11
Registered office of Bouygues: 90 avenue des Champs-Élysées 75008 Paris - France - **Tel.: +33 1** 44 20 64 00
32 avenue Hoche 75378 Paris cedex 08 (from 1 July 2006) - France - **Tel.: +33 1** 44 20 10 00 - www.bouygues.com

The Annual Report 2005 is printed on PEFC paper. International PEFC certification guarantees compliance with the rules of sustainable forestry and monitoring until the final distributor.
Bouygues group Internal Communication Department. Design: Red Line. Production: AC^2 Communication. Printing: Typoform. Translation: Bouygues Translation Department ; A. Shaw ; SJ Reynolds and JH Lambert ; Translations. Q2 2006.