BOUYGUES

2007

Registration document

Business activities and sustainable development

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This document is a free translation of the Registration Document filed with the Autorité des Marchés Financiers (AMF) on 10 April 2008 pursuant to Article 212-13 of the AMF's General Regulation. It may be used in support of a financial transaction if supplemented by a stock exchange prospectus bearing an AMF visa.

2007: An exceptional year

Chairman's statement

Bouygues had another record year in 2007, driven by stronger commercial performance, faster growth in profits and a further rise in sales, which grew by 12%. Recurring net profit rose by 32%.

Business activity in our construction subsidiaries surpassed last year's already excellent performance. **Bouygues Construction recorded a 20% rise in sales,** while a substantial increase in the order book provides excellent visibility for 2008. At **Bouygues Immobilier,** commercial reservations more than tripled and residential reservations were also very high. **Colas,** which has now achieved 21 years of uninterrupted growth, reported a very sharp rise in earnings.

TF1, facing a lacklustre advertising market, again maintained its leading position and for the first time recorded a clean sweep of all the 100 top audience ratings in the year. **Bouygues Telecom passed the milestone of 9 million customers.** The investment in its innovative Neo call plan has borne fruit.
The Group strengthened its ties with Alstom, which achieved a particularly remarkable improvement in performance.

In sustainable development, we have extended our policy and applied it in all our business areas. We have made the transition from words to action and will continue to step up our efforts in 2008.

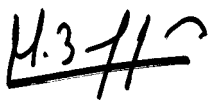
The dividend is to rise by 25%. The Board of Directors will ask the Annual General Meeting on 24 April 2008 to approve payment of a dividend of €1.50 per share.

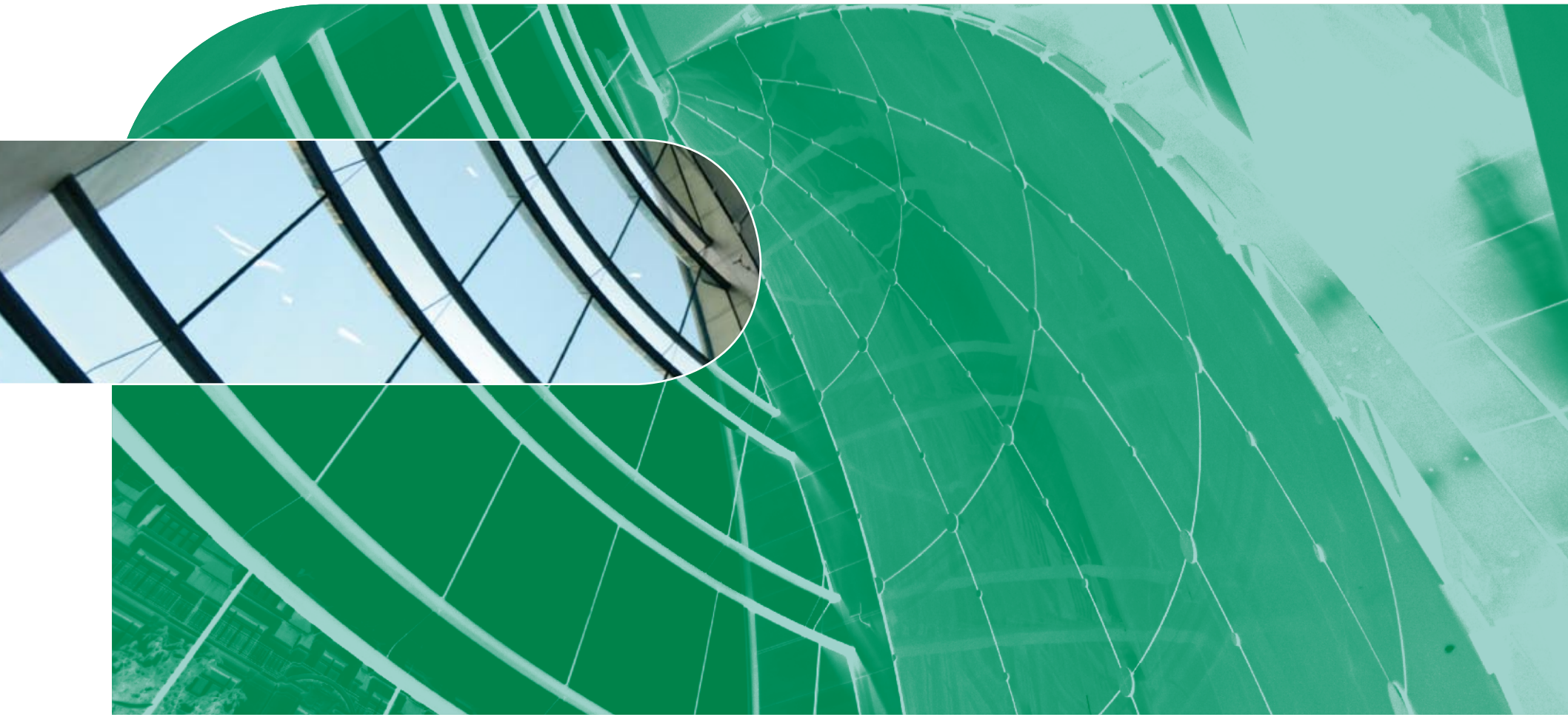
I can look forward to 2008 with confidence because our order intakes have reached a record level. To support this growth and give our customers the quality they expect, we will again be recruiting extensively. 55,000 people will join the Group in the three years from 2006 to 2008, more than 33,000 of them in France.

I should like to thank our shareholders for their vital support and all our employees for their hard work and their commitment.

26 February 2008

Martin Bouygues
Chairman and CEO





The façade of Bouygues SA's headquarters resembles a spinnaker.

1. The Group

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Management team

at 26 February 2008

Bouygues parent company

Olivier Poupart-Lafarge
Deputy CEO

Martin Bouygues
Chairman and CEO

Olivier Bouygues
Deputy CEO

Alain Pouyat
Executive Vice President, Information Systems and New Technologies

Jean-François Guillemin
Corporate Secretary

Philippe Marien
Chief Financial Officer

Jean-Claude Tostivin
Senior Vice President, Human Resources and Administration

Lionel Verdouck
Senior Vice President, Cash Management and Finance

Heads of the five business areas

Yves Gabriel
Chairman and CEO, Bouygues Construction

François Bertière
Chairman and CEO, Bouygues Immobilier

Hervé Le Bouc
Chairman and CEO, Colas

Patrick Le Lay
Chairman, TF1

Nonce Paolini
CEO, TF1

Philippe Montagner
Chairman, Bouygues Telecom

Olivier Roussat
CEO, Bouygues Telecom

Board of Directors & simplified organisation chart

at 26 February 2008

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
Former Deputy CEO,
Oberthur

Patricia Barbizet*
CEO and director,
Artémis

François Bertière
Chairman and CEO,
Bouygues Immobilier

Mrs Francis Bouygues

Georges Chodron de Courcel
COO,
BNP Paribas

Charles de Croisset
International Advisor
to Goldman Sachs International

Michel Derbesse*
Former Deputy CEO,
Bouygues

Lucien Douroux
Former Chairman of the
Supervisory Board,
Crédit-Agricole Indosuez

Alain Dupont*
Former Chairman and CEO,
Colas

Yves Gabriel
Chairman and CEO,
Bouygues Construction

Jean-Michel Gras
Director representing employee
shareholders

Thierry Jourdaine
Director representing employee
shareholders

Patrick Kron
Chairman and CEO,
Alstom

Patrick Le Lay*
Chairman, TF1

Jean Peyrelevade
Vice-Chairman,
Leonardo France

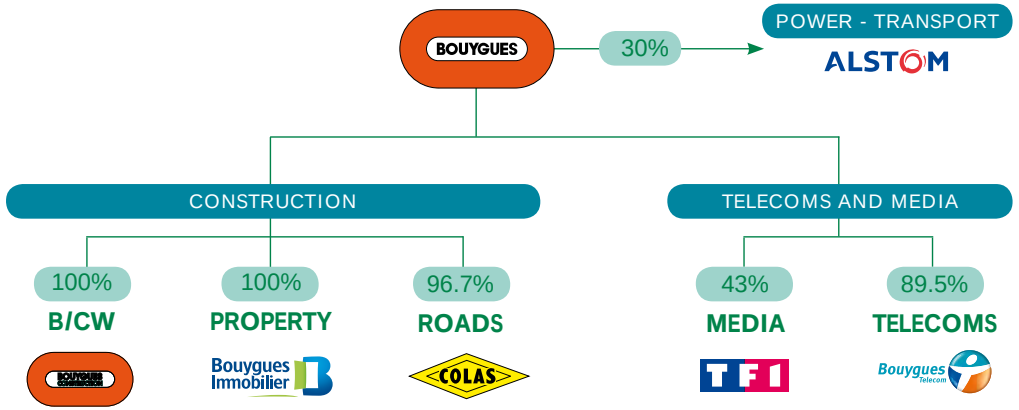
François-Henri Pinault
Chairman and CEO, PPR

Michel Rouger*
Former Presiding Judge
of Paris Commercial Court

Non-voting directors

Philippe Montagner

Alain Pouyat



(*) The terms of office of these five directors are due to expire. The Annual General Meeting on 24 April 2008 will be asked to renew the term of office of Patricia Barbizet and to appoint Helman le Pas de Sécheval (CFO, Groupama), Hervé Le Bouc (Chairman and CEO, Colas) and Nonce Paolini (CEO, TF1) as directors. The fifth directorship will remain vacant.

BOARD COMMITTEES

Accounts Committee

Michel Rouger (Chairman)
Patricia Barbizet
Georges Chodron de Courcel
Thierry Jourdaine

Selection Committee

Jean Peyrelevade (Chairman)
François-Henri Pinault

Remuneration Committee

Pierre Barberis (Chairman)
Patricia Barbizet

Ethics and Sponsorship Committee

Lucien Douroux (Chairman)
François-Henri Pinault
Michel Derbesse
Jean-Michel Gras

Several directors' terms of office are due to expire. The Board of Directors will re-examine the composition of the Committees following the Annual General Meeting on 24 April 2008.

Bouygues and its shareholders

Bouygues' headquarters in Paris

After 37 years of listing on the Paris Bourse, Bouygues is one of the market's flagship stocks, as demonstrated by its inclusion in the CAC 40 index. Throughout this period, the Group has been committed to involving its shareholders in its initiatives, combining corporate responsibility with an entrepreneurial spirit.

Communicating with shareholders

Bouygues is committed to ensuring that all its institutional and individual shareholders have easy access to full, regular and transparent financial information at all times.

Financial press releases

- The Group's financial press releases (quarterly financial information, results announcements, and news about major financial transactions) are distributed widely and immediately in France and around the world, through news agencies and over the internet. Since January 2007, Bouygues has issued regulated information through a service-provider licensed by the Autorité des Marchés Financiers (AMF), in accordance with the relevant regulations.
- These announcements are also reproduced in notices placed in leading French and international financial, business and investment print media. During 2007, Bouygues' notices were published in 11 different newspapers and magazines, three of them published outside France (see *Published information*, p. 151).

Website

In line with the Group's commitment to immediacy, transparency and equal access to information, the www.bouygues.com website provides shareholders with detailed, constantly-updated material about Bouygues, including key performance indicators and information about its management, businesses and values.

All press releases issued by the Group and its businesses are available on the site, together with all other documents of interest to shareholders, from annual reports and full financial statements for the past seven years to documents relating to the Annual General Meeting. All presentations made to shareholders and bondholders can also be viewed on the site. Separate sections are devoted to specific issues including sustainable development, corporate governance, the Standard & Poor's credit rating, and regulated information (within the meaning of the European Transparency Directive).

The website includes a section for shareholders, containing more accessible and user-friendly information, with a frequently-asked-questions page and details of how to become a shareholder. Live and recorded webcasts of the Group's major earnings presentations are also carried on the site.

Shareholders can also contact Bouygues directly via two dedi-

cated e-mail addresses: investors@bouygues.com and servicetitres.actionnaires@bouygues.com.

Group publications

The Group regularly sends its most important publications (the Registration Document, "Bouygues in Brief", and the in-house magazine *Le Minorange*) to its shareholders, especially registered shareholders. The Registration Document is also available on the website in a user-friendly interactive format, helping reduce paper consumption.

Results announcements

- In line with its commitment to providing transparent financial information on a regular basis, Bouygues publishes quarterly results and consolidated financial statements. This policy enables its shareholders and the broader financial community to monitor the performance of the Bouygues group and its component businesses throughout the year.
- In addition, Bouygues publishes detailed financial statements for its five core businesses twice a year.

Meeting investors

Bouygues' senior management arranges regular meetings with 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 Bouygues' full-year and first-half results; the third is the Annual General Meeting, which is held at Challenger, the Group's former corporate headquarters building in Saint-Quentin-en-Yvelines near Paris. Publication of quarterly results is accompanied by conference calls for institutional investors and financial analysts.
- On 15 October 2007, Bouygues went on the road to meet its individual shareholders at a meeting held in Marseille with the support of the French Federation of Investment Clubs (FFCI) and the French Association of Investor Relations Professionals (CLIFF). The next such meeting is scheduled for 18 November 2008 in Rouen.
- Over 300 contacts a year between Bouygues and investors and analysts from France and abroad help maintain constant dialogue. Outside France, roadshows in key financial centres give major international investors an opportunity to meet the management team, while helping to raise the Group's international profile. Bouygues held 13 roadshows in 2007 in countries such as the United Kingdom, the United States, Germany, Japan, Switzerland, the Scandinavian countries, the Netherlands and Belgium.
- Bouygues also takes part in sector conferences aimed at French and international institutional investors.
- Coverage of the Bouygues stock by financial analysts expanded further during 2007. Currently, 24 brokers in France and abroad follow the company, compared with 23 at the end of 2006. Of these, 86% had Buy recommendations on the stock.

Bouygues' Annual General Meeting is held at Challenger

Registered share service contact:

Tel.: +33 (0)1 44 20 11 07
+33 (0)1 44 20 10 73

Fax: +33 (0)1 44 20 12 42

Toll-free: 0805 120 007
(from fixed lines in France)

e-mail:
servicetitres.actionnaires@bouygues.com

Registered share service

Since 1990, Bouygues has provided a registered share service offering free account-keeping to holders of fully registered shares who also receive regular information from the Group and have direct access to the company.

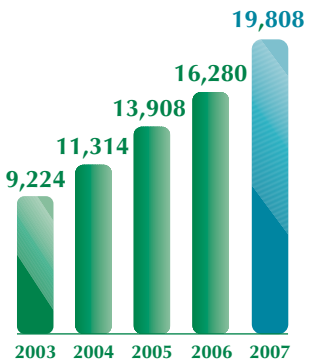
All holders of registered shares (whether fully registered or administered) enjoy double voting rights once their shares have been held in this form for more than two years. Shareholders wishing to hold their shares as registered shares should contact their financial intermediary.

Creating value

Market capitalisation

Bouygues ended 2007 with a market capitalisation of €19.8 billion, 22% higher than at the end of 2006. The share price increased by 17% in 2007, the seventh best performance in the CAC 40, which rose by only 1.3% over the year.

Market capitalisation
€ million, at 31 December

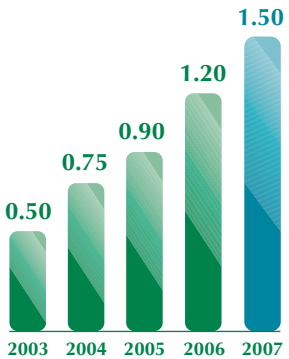


Dividend

Every year since 2003, Bouygues has increased the dividend paid to its shareholders, with dividend growth close to the rate of growth in recurring net profit.

On 26 February 2008, the Board of Directors decided to ask the Annual General Meeting to approve a substantially higher dividend for 2007: the proposed dividend of €1.50 per share represents a 25% increase on the 2006 dividend of €1.20. This proposal reflects the Group's commitment to increase shareholder returns over the long term. The dividend-to-earnings ratio is 38%.

Ordinary dividend
€ per share



Share buybacks

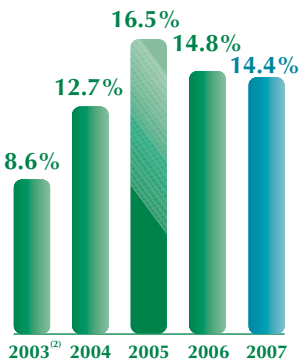
Bouygues has a policy of repurchasing its own shares on the market in order to optimise return on equity and offset the dilutive effect of newly-issued shares. During 2007, the Group cancelled 5 million of its own shares (equivalent to 1.4% of the share capital as at 31 December 2007) to offset the dilutive effect of two employee-only capital increases (Bouygues Partage in May 2007 and Bouygues Confiance 4 in December 2007) and of the issuance of shares on the exercise of stock options.

Return on Capital Employed (ROCE)

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 shareholders and debt provided by banks) with the cost of capital.

In 2007, the Bouygues group reported ROCE of 14.4%, lower than in 2006 due to additional investment in Alstom throughout the year. Bouygues raised its stake in Alstom from 25% to 30% in 2007.

ROCE(1)

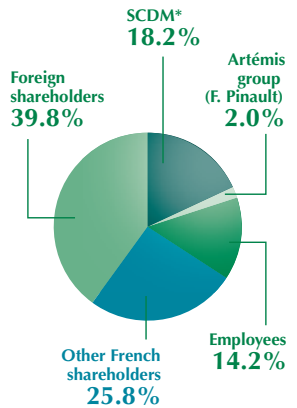


(1) ROCE = (current operating profit after tax + share of profits/losses of associates) ÷ average capital employed
NB: average capital employed = shareholders' equity + debt

(2) French GAAP

Share ownership at 31 December 2007

Share ownership
at 31 December 2007



Number of shares: 347,502,578

(*) SCDM is a company controlled by Martin and Olivier Bouygues.

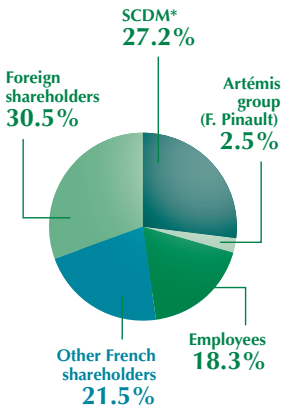
There were a number of changes in the ownership structure of Bouygues SA in 2007. The interest held by employees increased to 14.2% following the two successful employee-only capital increases carried out in 2007 (Bouygues Partage and Bouygues

2008 calendar

- **Thursday 24 April**
  Annual General Meeting
- **Friday 2 May**
  Dividend payment
- **Wednesday 14 May**
  First-quarter 2008 sales (quarterly financial information)
- **Wednesday 4 June**
  First-quarter 2008 earnings
- **Monday 11 August**
  First-half 2008 sales
- **Friday 29 August**
  First-half 2008 earnings
- **Friday 14 November**
  Nine-month 2008 sales (quarterly financial information)
- **Tuesday 18 November**
  FFCI/Cliff shareholder information meeting, Rouen
- **Wednesday 3 December**
  Nine-month 2008 earnings

Confiance 4). The stake held by SCDM, a company controlled by Martin and Olivier Bouygues, slightly decreased from 18.7% to 18.2% due to an increase in the number of Bouygues shares outstanding. Finally, the percentage interest held by non-French shareholders showed a further increase, reflecting the higher profile of Bouygues among international investors.

Voting rights
at 31 December 2007



Number of voting rights: 454,197,346

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.

Stock market performance

During 2007, the Bouygues share price rose by 17%, significantly outperforming the 1% rise in the CAC 40 index and the 7% rise in the DJ Euro Stoxx® 50 (an index comprising the 50 largest capitalisations in the euro zone, which does not include Bouygues).

This very fine 2007 performance continues the trend of 2006 (when the Bouygues share rose by 18%). The Bouygues share was the seventh best performance in the CAC 40 in 2007.

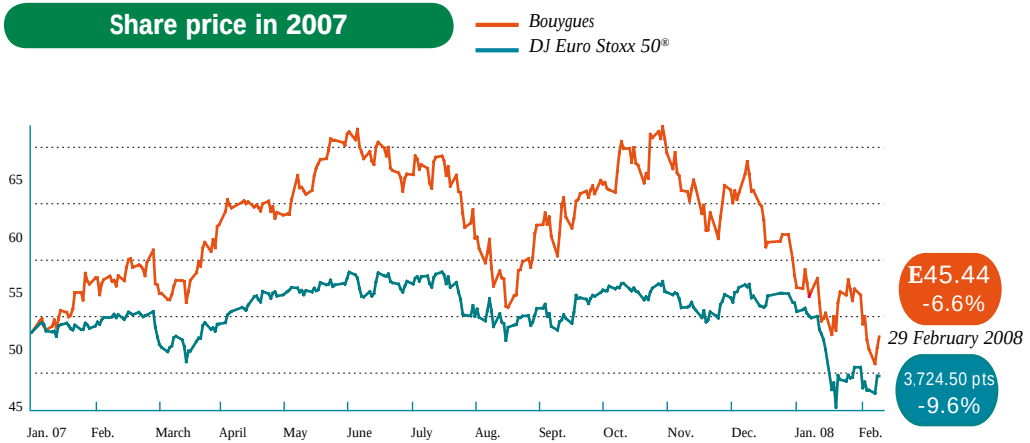
CAC 40: 20 years later

The CAC 40 index was formed on 31 December 1987 by the Compagnie des Agents de Change, and contains the 40 largest stocks (including Bouygues) quoted on the Paris Bourse. Twenty years later, out of the 40 founding stocks, four have been renamed due to reorganisations, 10 have been absorbed in mergers or acquisitions, and 13 have been withdrawn from the index.

Bouygues is one of the 13 founder members still listed in the index, where it has remained throughout the 20 years of the CAC 40's existence (except between 1997 and 1999, when Bouygues temporarily left the index due to its market capitalisation). Bouygues' constant presence as one of the flagship stocks on the Paris Bourse is testimony to the success of the strategy it has followed since 1987, especially in terms of diversification.

Over the 20 years, Bouygues has outperformed the CAC 40, with cumulative share price growth of 910%, equivalent to annual growth of 12.3%.

Share price in 2007



Since the beginning of 2008, financial markets have continued to be affected by the subprime-related crisis of confidence in the United States.

Bouygues share factsheet

- **Listing:** Euronext Paris (compartment A)
- **ISIN code:** FR0000120503
- **Identification codes:** Bloomberg: ENFP Reuters: BOUY.PA
- **Par value:** e1
- **Indices:** CAC 40, FTSE Eurofirst 80 and Dow Jones Stoxx 600, Euronext FAS – IAS (Employee Shareholding Index)
  ECPI Ethical Index Euro
  Vigeo ASPI Eurozone sustainable development index
- **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

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Investor Relations Director
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Address: 32 Avenue Hoche
75008 Paris, France
e-mail: investors@bouygues.com

Key figures

FINANCIAL HIGHLIGHTS

€ million	2006[1]	2007	2007/2006
Sales	26,408	29,613	+12%
EBITDA[2]	3,279	3,601	+10%
Operating profit	1,889	2,181	+15%
Net profit attributable to the Group	1,254	1,376	+10%
Recurring net profit[3]	1,046	1,376	+32%
Return on capital employed (ROCE)[4]	14.8%	14.4%	-0.4 pt
Cash flow	3,151	3,519	+12%
Free cash flow[5]	788	972	+23%
Shareholders' equity (period-end)	6,595	8,205	+24%
Net debt (period-end)	4,176	4,288	+3%
Debt-to-equity ratio (period-end)	63%	52%	-11 pts
Net dividend (€ per share)	1.2	1.5[6]	+25%
Number of employees (period-end)	122,560	137,500	+12%

(1) Applying the same accounting policy as in 2007 (see the consolidated financial statements). (2) Current operating profit excluding net depreciation and amortisation expense and changes in provisions, and impairment losses (after reversals of utilised and non-utilised provisions and of impairment losses). (3) Net profit from continuing operations, excluding net profit attributable to the Group from operations sold in 2006: €109 million for TPS and €99 million for Bouygues Telecom Caraïbe (BTC). (4) ROCE = the ratio of (i) current operating profit after tax and share of profits/ losses of associates to (ii) average capital employed (i.e. shareholders' equity plus debt). (5) Cash flow minus (i) cost of net debt, (ii) income tax expense for the year and (iii) net capital expenditure. (6) To be submitted for approval by the Annual General Meeting on 24 April 2008.

Bouygues had another record year in 2007, driven by a further rise in sales and faster growth in profits. Commercial performance was very strong throughout the year, reaching historic highs in the construction businesses.

Faster growth in profits

Sales amounted to €29.6 billion in 2007, an increase of 12%, with all businesses contributing to growth. Operating profit advanced by 15% to €2,181 million.

Net profit was €1,376 million, a rise of 10% on 2006 or 32% on recurring net profit in 2006 (excluding profit from the discontinued operations TPS and Bouygues Telecom Caraïbe).

The investment in Alstom had a total impact of €99 million on the Group's net profit.

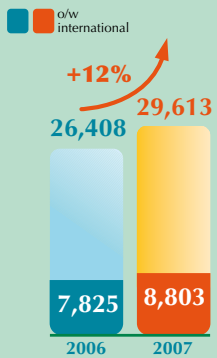
Healthy balance sheet

Net debt was €4.3 billion at 31 December 2007, only 3% higher than at the previous year-end despite significant financial investments totalling €1.7 billion (excluding the acquisition of the 6.5% stake in Bouygues Telecom for €441 million, which has been recognised in net debt since June 2005).

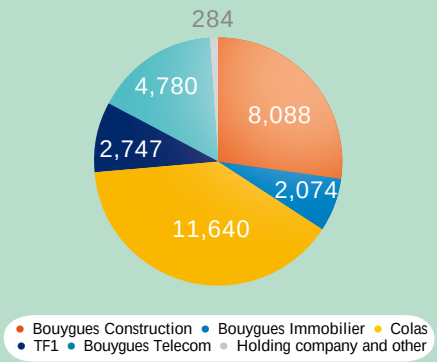
Shareholders' equity was €1.6 billion higher at €8.2 billion. The debt-to-equity ratio contracted sharply to 52% at end-2007 from 63% at end-2006.

Cash flow advanced by 12% to €3.5 billion, and net capital expenditure rose by 5% to €1.7 billion. Free cash flow jumped 23% to €972 million.

SALES: €29.6 billion



Contribution to the Bouygues group



Bouygues group: Consolidated sales for 2007 were €29.6 billion, 12% up on the previous year both in France and internationally, and 10% higher on a like-for-like basis and at constant exchange rates.

Bouygues Construction: Sales* grew by 21% (18% on a like-for-like basis and at constant exchange rates). All business sectors remained buoyant throughout the year, in France (17% growth) and more particularly in international markets (28% growth)

Bouygues Immobilier: Sales* were up 29%, driven both by residential property (up 24%) and by a recovery in commercial property (up 47%, following significant office reservations in late 2006 and throughout 2007).

Colas: The pace of growth in sales* was again robust, at 9% (7% on a like-for-like basis and at constant exchange rates). Sales rose by 11% in France and by 7% internationally.

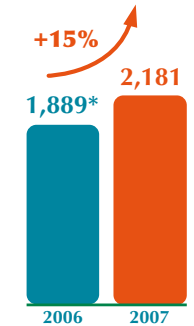
TF1: Sales* were 4% higher. Net advertising revenue for the TF1 core channel rose by 0.6% and revenue from other activities was up by 11%.

Bouygues Telecom: Sales* reached €4.8 billion, representing growth of 6%. Sales from network were 5% higher at €4.5 billion.

Over the five years from 2003 to 2007, sales have risen by 36%.

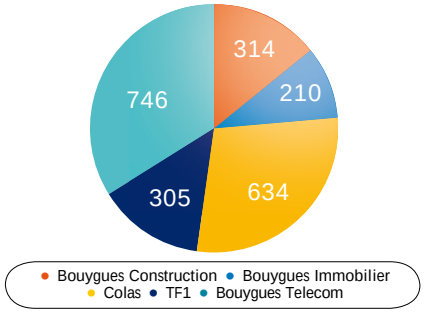
(*) Contribution to Bouygues group consolidated sales

OPERATING PROFIT: €2,181 million



(*) Applying the same accounting policy as in 2007

Contribution to the Bouygues group



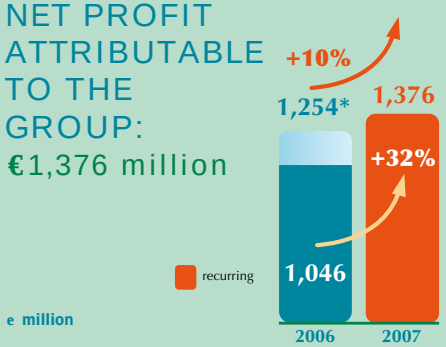
Holding company and other reported a net loss of €28 million

Growth in operating profit outstripped sales growth.

The construction businesses continued to achieve high levels of operating margin.

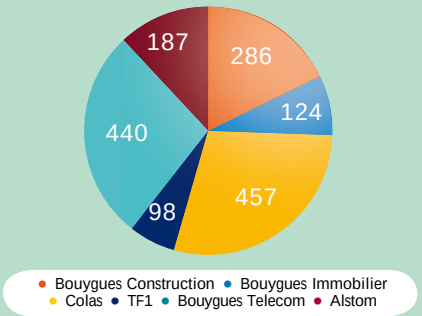
In 2007, Bouygues Telecom significantly improved its operating margin, 2006 having been affected by the marketing costs incurred on the successful launch of the Neo and Exprima unlimited call plans on 1 March 2006.

NET PROFIT ATTRIBUTABLE TO THE GROUP: €1,376 million



(*) Applying the same accounting policy as in 2007

Contribution to the Bouygues group



Holding company and other reported a net loss of €216 million

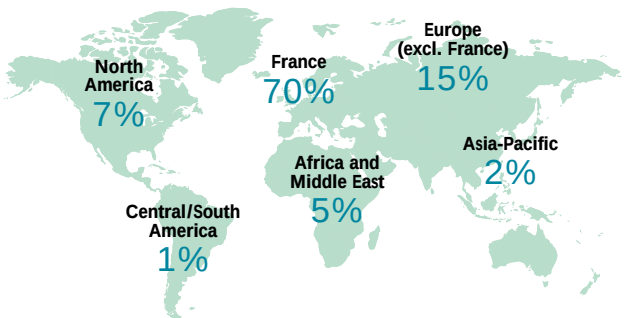
RECURRING NET PROFIT ATTRIBUTABLE TO THE GROUP: +32%

Net profit attributable to the Group rose sharply to €1,376 million, an increase of 32% based on recurring net profit, i.e. excluding profits attributable to the Group from operations sold in 2006: TPS (€109 million) and Bouygues Telecom Caraïbe (€99 million). The net loss reported by "Holding company and other" increased as a result of additional financial expense associated with the acquisition of a further interest in Alstom.

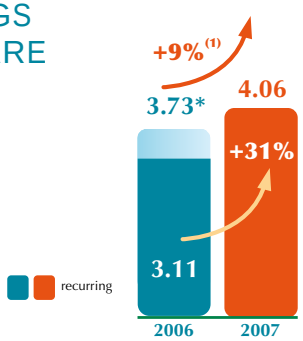
Alstom, in which Bouygues owns a 30% interest, is accounted for as an associate by the equity method, and contributed €187 million to consolidated net profit.

Over the five years from 2003 to 2007, net profit has tripled.

Sales by region in 2007



EARNINGS PER SHARE €4.06



(*) Applying the same accounting policy as in 2007

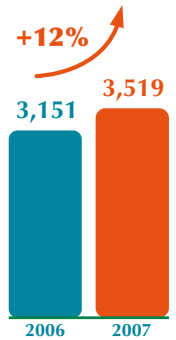
Earnings per share was €4.06, 9% higher than the reported figure for 2006.

Calculated on the basis of recurring net profit (i.e. excluding profits from discontinued operations), earnings per share rose by 31%.

Over the five years from 2003 to 2007, recurring earnings per share has tripled.

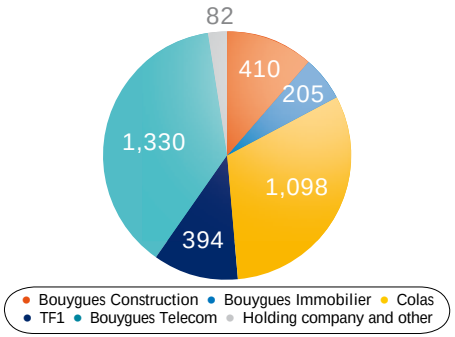
(1) Relative to 2006 reported earnings per share, which included profits from discontinued operations

CASH FLOW: €3,519 million



e million

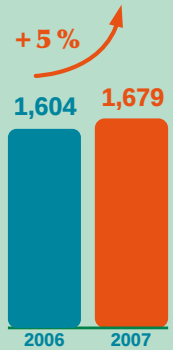
Contribution to the Bouygues group



In 2007, consolidated cash flow increased by 12%. Bouygues retains substantial capacity to fund its future development.

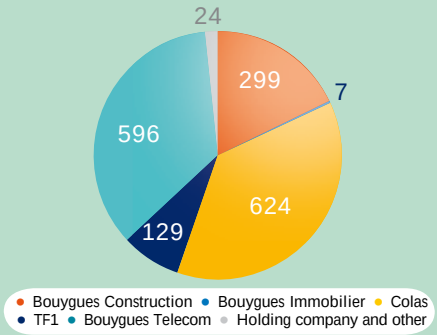
Cash flow reported by the holding company rose by €63 million, mainly due to the first dividend received from Alstom in 2007 (€28 million).

NET CAPITAL EXPENDITURE: €1,679 million



e million

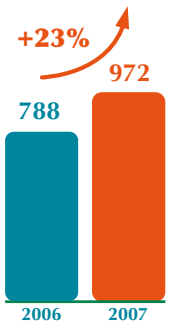
Contribution to the Bouygues group



In 2007, net capital expenditure was virtually unchanged. Increased capital expenditure by the Group's businesses was offset by a sharp reduction in capital expenditure at holding company level, which in 2006 included the cost of the new corporate headquarters on Avenue Hoche in Paris.

The high level of capital expenditure in the construction businesses (apart from Bouygues Immobilier, which requires virtually none) reflects buoyant business activity. As anticipated, Bouygues Telecom retained tight control over capital expenditure.

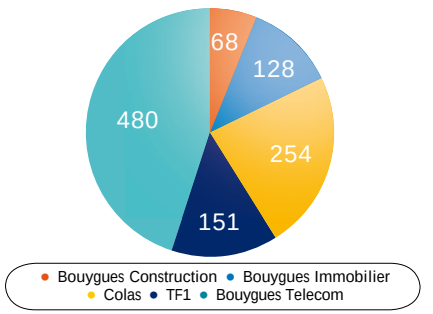
FREE CASH FLOW: €972 million



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. It is calculated before changes in working capital needs.

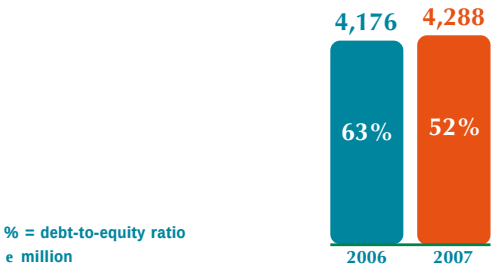
Bouygues generated cash flow of €3,519 million in 2007, 12% higher than in 2006. After deducting the cost of net debt (€235 million), income tax expense for the year (€633 million) and net capital expenditure (€1,679 million), free cash flow was €972 million, substantially higher than the 2006 figure. This trend reflects close control over the Group's level of capital expenditure.

Contribution to the Bouygues group



Holding company and other reported negative free cash flow of €109 million

NET DEBT:
€4,288 million



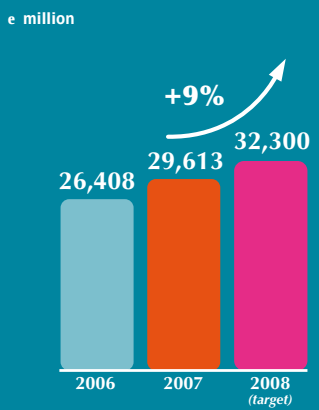
Bouygues' financial position remained healthy at end-2007: Net debt was €4.3 billion, or 52% of equity. There was a mixed picture across the various business areas:

- **Bouygues Construction:** Net cash of €2,450 million, up €391 million, thanks to growth in businesses where working capital needs generate positive cash positions.
- **Bouygues Immobilier:** Net debt of €2 million (versus net cash of €28 million at end-2006), representing a low level of debt for a property developer.
- **Colas:** Net cash of €347 million, €62 million lower than the previous year due to financial investments and capital expenditure during the year.
- **TF1:** Net debt of €597 million, representing a sharp year-on-year rise (of €218 million) due to the acquisition of an interest in AB Groupe.
- **Bouygues Telecom:** Net cash of €188 million, €122 million higher than at end-2006 thanks to an improvement in working capital and free cash flow.

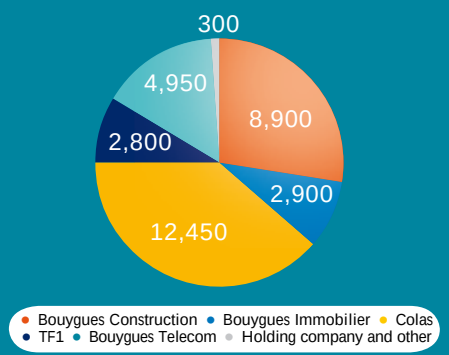
Net debt reported at **holding company and other** level amounted to €6,674 million. The year-on-year increase reflects the strategic investment in Alstom of €960 million.

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.

2008 SALES TARGET:
€32,300 million



Contribution to the Bouygues group



The prospects for 2008 are good: Bouygues expects full-year sales to reach €32.3 billion, up 9% on 2007 (7% in France and 14% in international markets).

All businesses are expected to achieve growth:

- **10%** for **Bouygues Construction,** thanks to the high level of orders booked in 2007 and progress on major international projects;
- **40%** for **Bouygues Immobilier,** driven by strong commercial property reservations in 2007 and continuing buoyancy in the residential property market in France;
- **7%** for **Colas,** with French markets stabilising at a high level and favourable prospects abroad;
- **2%** for **TF1,** with slow growth expected in the advertising market in 2008 but continued growth in other activities (theme channels, audiovisual rights, internet, etc);
- **4%** for **Bouygues Telecom,** with the ongoing negative effect from incoming call rate cuts (8% cut on 1 January 2008) imposed by the regulator, offset by growth in the customer base.

Sustainable development in the Group

Bouygues' headquarters, the first HQE-certified building in Paris in 2006

Sustainable development is an integral part of the Group's strategy and that of all its businesses. The parent company and its subsidiaries have drawn up roadmaps incorporating measurable targets since 2006 in response to the challenges they face.

The Bouygues group's Sustainable Development Department, created in 2005 and headed by Deputy CEO Olivier Bouygues, works in a spirit of continuous improvement based on the sharing of best practices (see *Our organisation*, p. 17). Each business area's strategy and initiatives are outlined in the "Business activities and sustainable development" chapter.

Non-financial reporting

The Group has chosen non-financial reporting software that will be implemented in 2008 and used to monitor the efficiency of sustainable development roadmaps in each business area. A special committee has been set up to define relevant non-financial indicators.

Sustainable Construction Task Force

A Group-wide task force on sustainable construction was created in 2007 in order to pool knowledge and feedback within the Group and promote the integration of new technologies in projects. A collaborative intranet site will be specially designed to support the initiative, which furthers the Group's proposals for the building sector put forward at the Grenelle Environment Forum held in France.

Employee share ownership

The Bouygues Partage scheme was a great success in 2007. The offer, accessible on equal terms, was taken up by 53,185 employees, 76% of the eligible workforce. To increasingly share the benefits of the Group's healthy results with staff, a new employee-only capital increase, Bouygues Confiance 4, was launched at the end of 2007. With 14.2% of the capital and 18.3% of the voting rights*, employees are Bouygues' second-largest shareholder group. This performance makes Bouygues the French CAC 40 company with the highest level of employee share ownership.

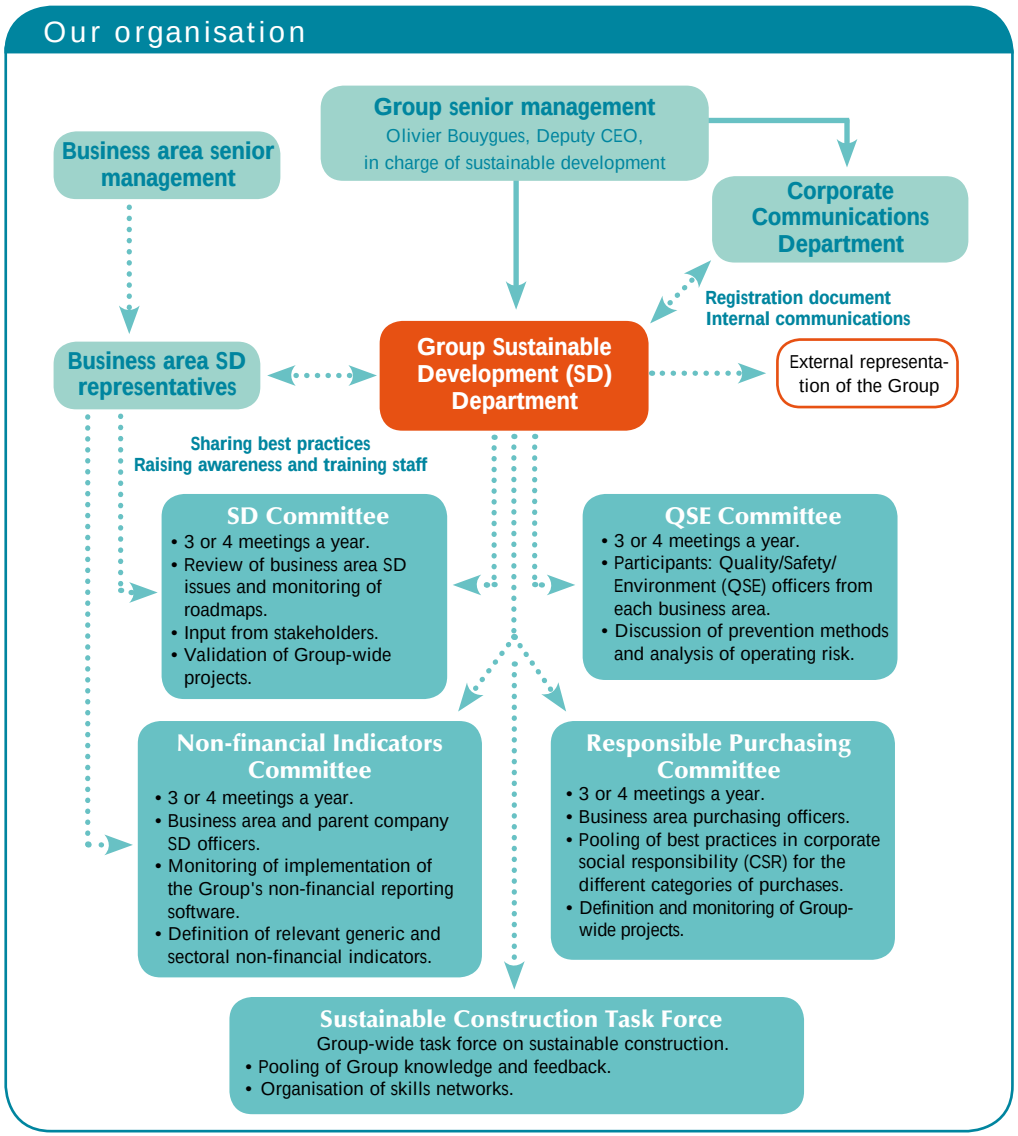
(*) At 31 December 2007

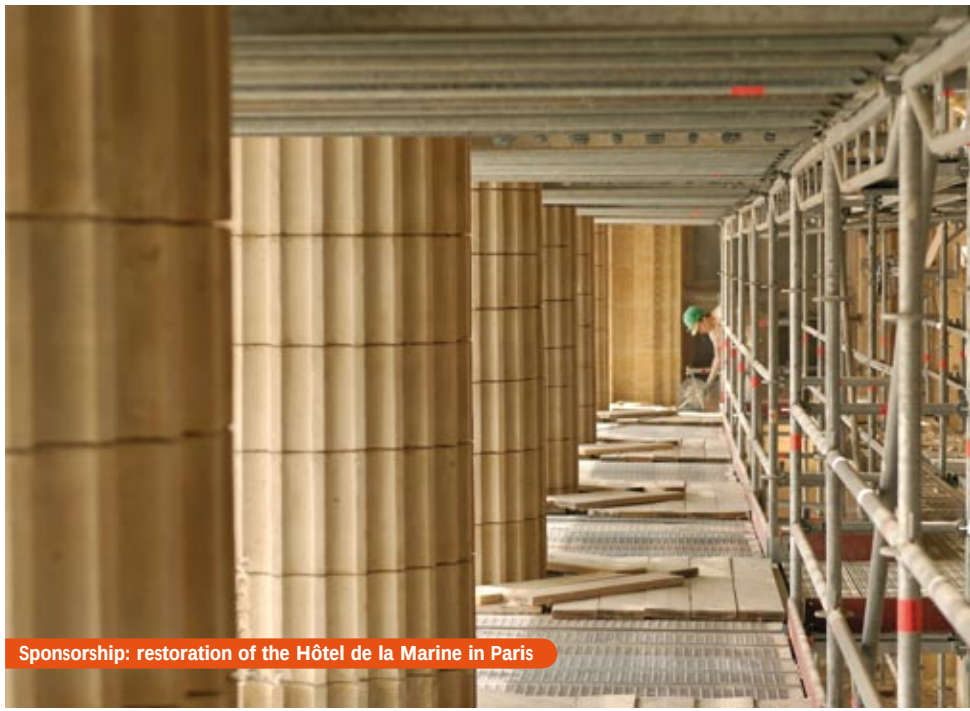
Ethics and training

The Group's Code of Ethics, launched in 2006, was circulated to all employees in 2007 and now forms part of Bouygues' internal control procedures. Ethics officers will be appointed for each business area in 2008.

Bouygues continued to give its managers training in ethics and sustainable development in 2007. Seminars on the "Development of Bouygues Values" and "Respect & Performance", organised by the Bouygues Management Institute, were attended by 29 and 74 senior executives respectively, while 10 seminars on corporate social responsibility were attended by a total of 107 managers. The Institute

Our organisation





Sponsorship: restoration of the Hôtel de la Marine in Paris

also trained employees to lead the "Respect & Performance" seminar. More than 2,600 managers had attended the seminars at the end of 2007. Every year, the Institute's International Cycle offers a one-year training course to 24 Group managers chosen by their senior management.

The Minorange Guild

The Minorange Guild, created by Francis Bouygues in 1963 to recognise achievement in the construction trades, had 996 members in 16 orders at 1 January 2008. Colas has instituted a similar guild system, the Order of Compagnons de la Route, for the roads sector.

Communications

Internal and external communications on the theme of sustainable development were stepped up in 2007. The actions of the Sustainable Development

Minorange Guild worker

Department and its associated committees are systematically posted on the corporate website, www.bouygues.com, and reported in the Bouygues group's in-house publications, *Le Minorange* (the Group's in-house magazine with a circulation of 50,000) and *Challenger Express*, a bi-monthly newsletter for 3,500 senior executives. A Group intranet site devoted to sustainable development was launched in 2007.

About 100 Bouygues group communicators attended an awareness-raising seminar on responsible communications organised in October 2007 with ADEME, the French environment and energy management agency.

Sponsorship

In 2007, Bouygues continued to restore the Hôtel de la Marine on the Place de la Concorde in Paris. The project is part of a skills sponsorship initiative under which Bouygues provides building and restoration expertise through its construction subsidiaries. The Francis Bouygues Foundation continued to help deserving high-school leavers to stay on in higher education, welcoming its third intake in September 2007. There were 115 grant-holders altogether in the scheme on 1 January 2008, each one mentored by a Bouygues employee.

In 2006, Bouygues SA committed to providing €200,000 a year over three years to support an experimental project instigated by the Paris Institute of Political Studies to combat under-achievement at schools in the northern suburbs of Paris. Bouygues Bâtiment Ile-de-France and ETDE have joined the project. Bouygues also supported 28 charities in 2007, working mainly in the social, humanitarian and medical sphere.

The Group devoted a total of €3.3 million to these sponsorship initiatives in 2007.

Global Compact and other initiatives

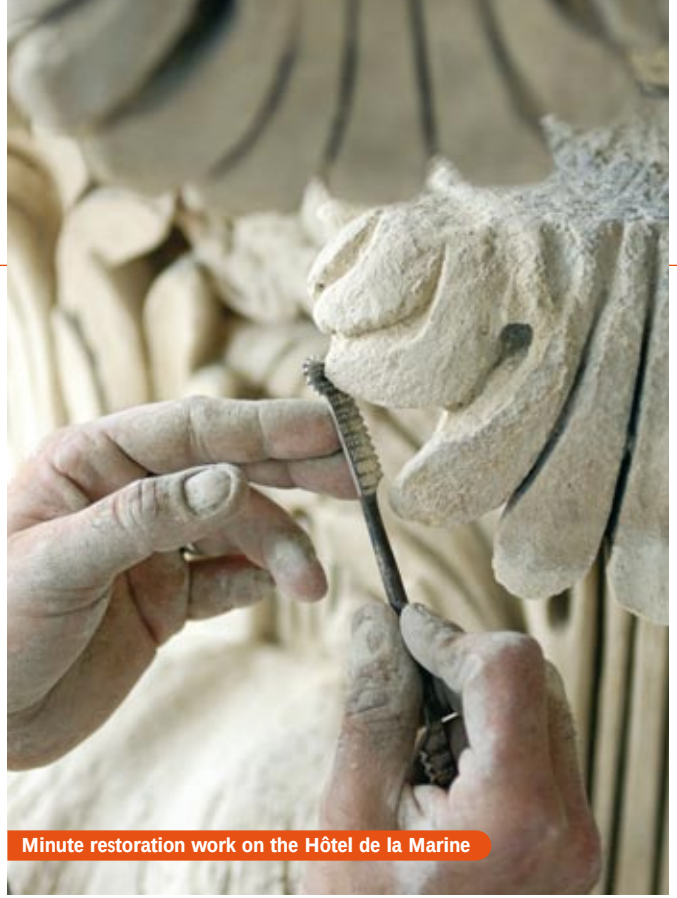
The Group's five business areas and the parent company have been members of the UN Global Compact since 8 December 2006. Through its membership of the Global Compact, Bouygues undertakes to embrace, support and enact a set of core values in the areas of human rights, labour standards, the environment and anti-corruption.

Since 2006, Bouygues has also been a member of CSR Europe, a Brussels-based network of 70 European multinationals created to foster exchange on best practice in corporate social responsibility. Since 1999, Bouygues has been a member of the European Foundation for Quality Management (EFQM), an organisation to promote and exchange best practice in managerial excellence.

Group-wide actions

Group-wide coordination has been introduced for responsible purchasing, Quality, Safety and the Environment (QSE), information systems and sustainable development.

On sustainable development, in 2007 a working group measured the carbon balance of the Group's information systems in France, representing over 65,000 workstations. Calculated greenhouse gas emissions amounted to 9,500 tonnes of carbon equivalent, or the annual consumption of a village with a population of 3,000. Steps will be taken to bring this figure down, partly by reducing the direct impact of workstations through measures such as the choice of hardware, preference given to laptops and recycling, and partly by encouraging more economical usage.



Minute restoration work on the Hôtel de la Marine

Operations in Africa

When Saur was sold in 2004, Finagestion, a Bouygues subsidiary, took over Saur's African activities. A number of corporate social responsibility initiatives were taken in 2007. In Ivory Coast, a microcredit and savings policy was introduced for employees of CIE (Compagnie Ivoirienne d'Électricité) and Sodeci (water services). The Mutuelle des Agents de l'Eau et de l'Électricité, a mutual society created in October 2006, offers simple saving schemes and soft loans, including to employees unable to make a personal contribution. On average, 150 new savings accounts are opened each month and 113 loans granted, with an average maturity of 18 months. The mutual society had 4,300 members at 31 October 2007, 92% of the workforce. Repayment rates are excellent, since no default has been recorded to date.

Abby self-assessments

Bouygues SA has developed self-assessment software since 2002. Dubbed Abby, the software enables executives at management committee level to compare themselves with the European Foundation for Quality Management (EFQM) model, using an electronic voting system. Tracking and updating managerial best practice and sustainable development, the software covers the main contributing factors to sustainable performance in economic, social, societal and environmental terms, divided into a number of separate criteria. The self-assessment exercise also helps to identify an organisation's strengths and areas for improvement. The steps needed to achieve progress are then discussed and ranked by order of importance. Eight Abby self-assessments were performed in the Group in 2007.

Socially responsible investment

Bouygues is included in two socially responsible investment (SRI) indices: ASPI Eurozone, managed by the extra-financial rating agency Vigeo, and ECPI Ethical Index.

Carbon strategy

A Group-wide strategy to reduce CO_2 emissions was drawn up in 2007. The aim is to provide the operating units of the construction subsidiaries with specific software in order to calculate the carbon balance of certain projects and put forward alternative solutions that respect the environment. To optimise the development of the software and draft an initial report on CO_2 emissions generated by the Group's activities, roughly 20 carbon balances were calculated in 2007. Colas has its own software for this purpose.

Outlook for 2008

- Continue the Group's carbon strategy, with the provision of tools for calculating the carbon balance of operating units and projects.
- Complete deployment of the non-financial indicators application to measure the effectiveness of sustainable development initiatives.
- Roll out a policy to reduce CO_2 emissions from company vehicles throughout the Bouygues group.
- Continue practical initiatives carried out by Group-wide committees.

Sustainable development in the Group's business areas

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Bouygues Immobilier	p. 40
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TF1	p. 64
Bouygues Telecom	p. 76

The Foundation sponsors deserving high-school leavers

An apple tree grows in the garden of Bouygues SA's HQE-certified headquarters.

2. Business activities and sustainable development

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Full-service contractor

Excellent commercial and financial performance in 2007

Bouygues Construction **is one of the world's leading construction firms. Operating in building, civil engineering and electrical contracting and maintenance, its know-how extends from project design to maintenance. Bouygues Construction combines the strength of a large group with the responsiveness of a network of companies.**

Building the two Cyprus airports

2007 sales	Operating margin	Net profit att. to the Group	Order book	Employees	2008 sales target
€8,340m (+20%)	3.8% (=)	€286m (+37%)	11.3bn (+30%)	49,800	€9.2bn (+10%)

Highlights

PPP/PFI/concession projects
- Gautrain rail link in South Africa (€524m).
- Broomfield Hospital, London (€389m).
- New Tyne Crossing, Newcastle (€375m).

Major contracts concluded
- Chernobyl sarcophagus (€208m).
- Meudon Technical Centre (€123m).
- Saint-Antoine mixed development area, Cap d'Ail (€121m).
- Tangiers port extension (€100m).
- Jalan Datoh Tower, Singapore (€74m).

Projects under construction
- A41 motorway (€512m).
- Cyprus airports (€494m).
- Flamanville EPR nuclear power plant (€422m).
- Raurica Nova recreational centre, Switzerland (€112m).

Launch of Actitudes, a sustainable development policy:
- Charter for suppliers and subcontractors.
- Housing projects evaluation software.
- "Blue", or QSE, work site label.

Another record year

Bouygues Construction, with its strategic focus on high value-added activities, was able to take advantage of favourable conditions on its markets in France and around the world.

Record order intakes: €11.1 billion (up €1.8 billion)

On international markets, a number of major projects featured in the record level of order intakes (€5.4 billion). In France, order intakes rose by 5% to €5.7 billion.

Sharp rise in sales: up 20% to €8,340 million

Bouygues Construction reported strong growth in sales on international markets (up 28% to €3,399 million) and in France (up 16% to €4,941 million).

Three significant acquisitions in Europe

- Bouygues Construction acquired **Warings,** a building company with 2007 sales of €120 million that operates in the south of England.
- **Mibag,** one of Switzerland's leading facilities management (FM) companies with annual sales of €76 million, specialises in maintaining and managing buildings under partnerships and framework agreements.
- In Poland, Bouygues Bâtiment International acquired **Karmar,** a key player on the building market in Warsaw with annual sales of €72 million.

A jump in net profit: up 37% to €286 million

The operating profit rose by €52 million to €314 million. Financial income increased to €90 million thanks to higher interest rates and a cash surplus. After a tax charge of €122 million, the net operating margin rose from 3% in 2006 to 3.4% in 2007.

Further increase in net cash to €2,450 million (up €391 million)

Driven by the sharp rise in sales, Bouygues Construction's net cash surplus amounted to €2,450 million.

An active development policy: investment of €382 million (net cash flow stable on 2006)

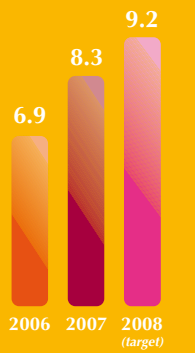
Net capital expenditure increased from €206 million in 2006 to €296 million in 2007.

Main items of spending included project start-up costs, information systems and Axione's broadband networks. Net financial investment, mainly linked to external growth in Europe, amounted to €70 million.

A proactive sustainable development policy

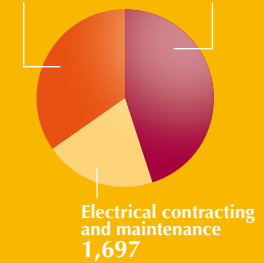
2007 saw the launch of Actitudes, Bouygues Construction's sustainable development policy.

Sales € billion

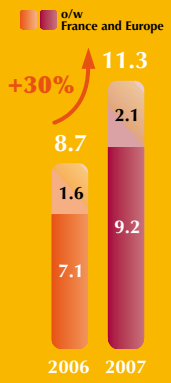


Net profit € million

Sales by segment € million

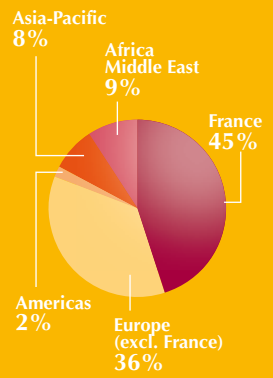


Order book € billion



Net cash € billion

Order book by region



CONSOLIDATED BALANCE SHEET AT 31 DECEMBER

ASSETS (€ million)	2006	2007
• Property, plant and equipment and intangible assets	400	562
• Goodwill	293	395
• Non-current financial assets and taxes	218	315
NON-CURRENT ASSETS	911	1,272
• Current assets	2,894	3,190
• Cash and equivalents	2,399	2,926
• Financial instruments used to hedge net debt	-	-
CURRENT ASSETS	5,293	6,116
TOTAL ASSETS	6,204	7,388

LIABILITIES AND SHAREHOLDERS' EQUITY (€ million)	2006	2007
• Shareholders' equity att. to the Group	528	696
• Minority interests	5	11
SHAREHOLDERS' EQUITY	533	707
• Non-current debt	229	356
• Non-current provisions	584	566
• Other non-current liabilities	3	2
NON-CURRENT LIABILITIES	816	924
• Current debt	5	6
• Current liabilities	4,744	5,637
• Overdrafts and short-term bank borrowings	106	114
• Financial instruments used to hedge net debt	-	-
CURRENT LIABILITIES	4,855	5,757
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	6,204	7,388
Net cash surplus	2,059	2,450

CONDENSED INCOME STATEMENT

(€ million)	2006	2007
SALES	6,923	8,340
• Net depreciation and amortisation expense	(103)	(127)
• Net charges to provisions and impairment losses	(117)	(142)
• Other income and expenses	(6,398)	(7,778)
CURRENT OPERATING PROFIT	305	293
• Other operating income and expenses	(43)	21
OPERATING PROFIT	262	314
• Cost of net debt	51	79
• Other financial income and expenses	9	11
• Income tax expense	(119)	(122)
• Share of profits and losses of associates	8	7
NET PROFIT FROM CONTINUING OPERATIONS	211	289
• Net profit of discontinued and held-for-sale operations	-	-
NET PROFIT	211	289
• Minority interests	(2)	(3)
CONSOLIDATED NET PROFIT att. to the Group	209	286

A41 motorway between Annecy and Geneva

Building and civil works

Building and civil works generated total sales of €6,643 million, with France contributing €3,756 million and international markets €2,887 million.

France

2007 sales: €3,756m
2007 order intakes: €4,274m

2007 was an excellent year for the construction industry in France. The improvement in the non-residential building market under way since 2005 continued in 2007 (+3.8%), especially in the construction of public and industrial buildings and offices. New housing starts stabilised at the highest level for 30 years (435,000). The volume of completed civil engineering work increased by more than 7%.

Bouygues Bâtiment Ile-de-France was the leader on its market. It reported a 13% increase in sales in 2007 to €1,556 million, significantly outpacing market growth of 4.5%. Three divisions – Construction Privée (Private Construction), Rénovation Privée (Private Renovation) and Habitat Social (Social Housing) – reported growth rates in excess of 20%, driven by major projects under way or awarded during the year.

Bouygues Entreprises France-Europe operates on both building and civil works markets in France through six main regional subsidiaries: Quille, Pertuy Construction, GTB Construction, DV Construction, Norpac and GFC Construction. Sales on all markets grew by 12% overall to €1,698 million. In the last two years, these subsidiaries have won a number of contracts to build hospitals and prisons. The Cirmad property development network also contributed to this excellent performance, winning contracts worth €392 million in 2007.

Sales in France by **Bouygues Travaux Publics,** up 43% to €347 million, and **DTP Terrassement,** up 36% to €143 million, also increased sharply, driven by work on the A41 motorway and the start of work on the Flamanville EPR nuclear power plant.

Europe

2007 sales: €1,610m
2007 order intakes: €2,562m

In the **United Kingdom,** Europe's third-largest construction market worth an estimated €207 billion in all, the upturn continued in 2007 with growth of 2.3% driven by private non-residential construction and Private Finance Initiative (PFI) projects. Bouygues UK builds hospitals, schools and social housing under PFI contracts. The acquisition of Warings has enabled Bouygues Construction to gain a foothold in the south of England and to diversify its operations. Bouygues Travaux Publics signed the contract for the New Tyne Crossing in Newcastle, which includes renovating the existing tunnel, building a second one and operating both tunnels.

The construction market in **Switzerland** (€34 billion) reached its highest level since 1990, sustained by the private non-residential segment. Bouygues Construction, with 2007 sales of €496 million, was the second-largest construction firm in Switzerland. Losinger opened a branch in Basel in 2007 and, with Marazzi, is involved in the Raurica Nova development in Basel and the Prime Tower in Zurich.

In **Cyprus,** Bouygues Bâtiment International is building the Larnaka and Paphos airports under a concession agreement and reported sales of €159 million in 2007.

In **Poland,** Karmar opened its first regional branch in Wroclaw. DTP Terrassement is also building a 22-kilometre section of the A4 motorway.

In the **Czech Republic,** VCES has 11 housing projects under way representing a total of 700 units and is also building two wastewater treatment plants.

T1 Tower in La Défense

In **Romania,** where the market is driven by demand for residential and non-residential building, Bouygues Romania is building At the Oaks, a €62 million residential complex in Bucharest. The subsidiary reported sales of €55 million in 2007.

In **Ukraine,** Bouygues Travaux Publics, in partnership with Vinci, won the design-build contract for the new Chernobyl sarcophagus. DTP Terrassement also concluded a preliminary agreement to carry out earthworks for an iron-ore mine.

Asia

2007 sales: €523m
2007 order intakes: €662m

In **Hong Kong,** the group won the West Drainage Tunnel contract (Bouygues Construction share: €114 million). BYME Hong Kong, an electrical and HVAC engineering company, is involved in the Venetian Cotai casino project in Macao (€56 million).

Dragages **Singapore** specialises in building condominiums, including the Sail@Marina project (€139 million) and the Jalan Datoh Tower (€74 million). Bouygues Thai, which specialises in high-rise buildings in Thailand, reported a 24% increase in sales in 2007, considerably higher than the market rate of 2.5%.

In **South Korea,** Bouygues Travaux Publics is completing the Machang Bridge project and starting work on the Pusan port project.

In **Turkmenistan,** Bouygues Bâtiment International generated 2007 sales of €49 million, mostly from the Ministry of Trade and Stock Exchange project.

Middle East

2007 sales: €123m
2007 order intakes: €26m

Bouygues Construction is involved in two large projects in Dubai, the Ritz Carlton Hotel (Bouygues Bâtiment International, €155 million) and one line of the light rail transit system (VSL, €45 million).

Americas – Caribbean

2007 sales: €177m
2007 order intakes: €212m

In **Cuba,** Bouygues Bâtiment International is involved in turnkey luxury hotel projects. In eight years in the country, it has won 12 contracts, including La Estrella 2 and Laguna Mangon C for €86 million in 2007. In **Trinidad and Tobago,** it is building the €182 million Waterfront International Development at Port of Spain. In **Jamaica,** Bouygues Travaux Publics is building a 24-kilometre section of motorway between Spanish Town and Ochos Rios (€75 million).

Africa

2007 sales: €454m
2007 order intakes: €895m

In **Morocco,** Bouygues Construction and Saipem are building the logistics hub and roll-on/roll-off port of the new Tangiers Mediterranean project. Bymaro is building a €47 million luxury hotel complex in Marrakech.

In **Equatorial Guinea,** BBGE is involved in the €37 million Malabo Stadium project and €15 million Malabo bypass project.

In **South Africa,** financial close for the Gautrain rail link in early 2007 meant that work on the project could start, generating sales of €146 million in 2007. Bouygues Travaux Publics, in a venture with Basil Read, is also building a 46,000-seat stadium in Nelspruit.

In **Egypt,** Bouygues Travaux Publics is a member of the consortium awarded the contract to build the first phase of Cairo's third subway line (Bouygues Construction's share is €61 million).

Earthworks for the Flamanville EPR nuclear power plant

2,000-sq.-metre data centre (ETDE) in Saint-Denis, near Paris

Electrical contracting and maintenance

ETDE's contribution to Bouygues Construction's consolidated sales increased by 22% (11% organic growth) to €1,697 million. ETDE has three lines of business: utility networks (42% of sales), electrical and HVAC engineering (36%) and facilities management (22%).

Its subsidiary Axione is one of France's leading providers of broadband and digital networks, serving 4 million people with 4,200 kilometres of optical fibre. It concluded its tenth public service delegation contract with the Charente-Maritime department, worth €50 million, and won three contracts worth €28 million on behalf of Free, an internet service provider, in the Paris area.

France

2007 sales: €1,185m
2007 order intakes: €1,444m

The electrical contracting and maintenance market in France continued to thrive, driven by public spending, especially PPPs, and large-scale projects to create or upgrade infrastructure. ETDE is one of six major players on an increasingly concentrated market.

ETDE completed the following transactions in 2007:

- acquisition of two networks businesses, Avrelec in northern France and Amica in the Paris region;
- acquisition of Sernelec Industrie (industrial automation and low- and high-voltage electrical equipment in north-western France) and Iris Électricité (design, installation and maintenance of electrical networks in the Paris region);
- conclusion by Exprimm of a 27-year, €69 million FM contract for three prisons.

International

2007 sales: €512m
2007 order intakes: €1,006m

ETDE has increased its sales outside France by a factor of 8.5 in five years, and they now represent 30% of the total.

In the **United Kingdom,** ETDE's second-largest market after France, the company won a PFI street lighting contract with Redcar & Cleveland council and facilities management contracts for the Broomfield and North Middlesex hospitals.

The FM division continued its European expansion with the acquisition of Mibag in **Switzerland.** In **Hungary,** Szigma-Coop installed air conditioning and fire protection systems in the Arena Plaza shopping centre (€14 million). In **Africa,** where it has operated for over 50 years, ETDE does most of its business in Ivory Coast, Congo, Gabon and Senegal.

ETDE also operates on international markets as a partner in major hard FM projects, working either directly with the client – it won a €14 million contract to supply electricity to remote villages in the Philippines – or as a subcontractor for Bouygues Bâtiment International (Dubai, Russia and Trinidad and Tobago).

Research and development

Research and innovation are an integral part of Bouygues Construction's strategy.

A centralised organisation has been introduced to stimulate innovation at all levels and to enhance the group's R&D programme. It is coordinated by a committee which defines R&D policy across the group, selects priority themes and decides practical aspects such as project managers, budgets, deliverables and schedules.

Research led to the following practical applications in 2007:

- creation of the Projection software for analysing the performance of housing projects against sustainable development criteria;
- a drilling robot used on the Maurice Lemaire tunnel project in eastern France;

Design for a prison complex in Nantes (France)

Heavy lifting in Hong Kong (VSL)

- development of instrumented cutters to improve the steering of tunnel boring machines;
- a computerised scale model for the Metz hospital.

Operating risks

Bouygues Construction has to manage the many risks connected with its particular activity, such as geological risks, archaeological discoveries, bad weather affecting deadlines, lack of foresight, problems in the performance of contracts due to the failure of a single link in the chain, etc.

When Bouygues Construction concludes design-build-operate contracts, these classic risks are compounded by design, operating and maintenance 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 leaves the group with no exposure to the project debt.

Bouygues Construction subsidiaries do not currently face any major client solvency risk in their regular operations. Work on complex major projects liable to generate risks because of their size or technical complexity represents less than 10% of Bouygues Construction's activity.

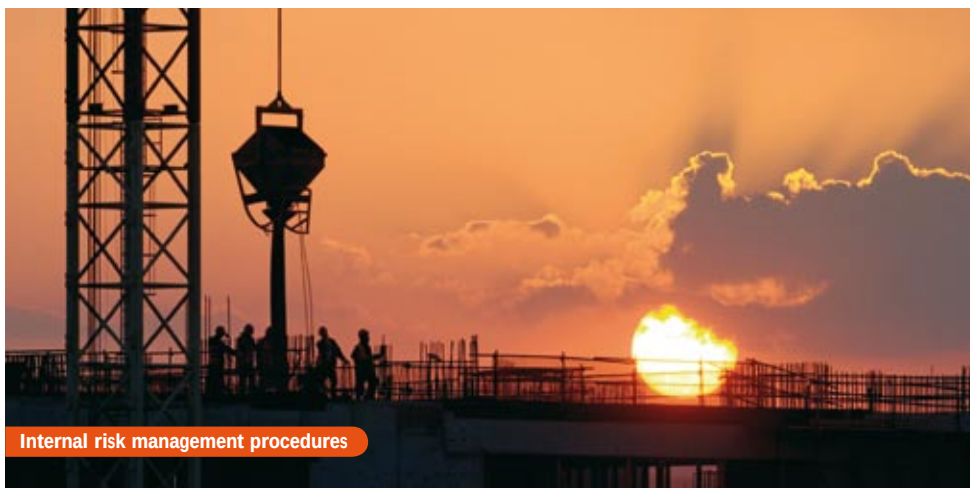
On large-scale projects, Bouygues Construction subsidiaries implement a policy to pool risks and optimise the management of resources. On the design front, the group has extensive engineering and design capabilities. It continues to be selective in its choice of projects and takes out appropriate insurance cover with first-rank insurers, giving it further control over its main risks.

Bouygues Construction's legal departments are closely involved in project development and contract negotiation, thus helping to limit the main exposures. More generally, internal procedures were introduced in 2003 with the aim of improving risk identification, control and management. The procedures are reviewed at regular intervals to ensure that they continue to match the different risk profiles.

Bouygues Construction believes that it is not exposed to any specific major environmental risks. As the group 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 required by local councils. Bouygues Construction considers that risks in connection with the storage and transport of waste and toxic materials relate mainly to the use of oils and fuels when pouring concrete and carrying out earthworks. In each project, the group 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 complies at all times with the regulations in force and implements the necessary prevention and management systems.

As part of the plan to optimise internal control procedures within the Group as a whole, Bouygues Construction is currently conducting a detailed review of most of its accounting and financial processes. It is also giving more general consideration to the broad principles on which its companies operate with the aim of improving the detection and control of major risks and the reliability of accounting and financial information.


Internal risk management procedures

Sustainable development indicators

	Our aim	2007 key figures	Action plan	2008 objectives	Progress
Financial and business challenges	Foster a trusting relationship with our clients, based on consideration, transparency and innovation.	• Customer satisfaction surveys for **33%** of completed projects. • **57%** of sales in activities with triple certification.	• General use of customer satisfaction surveys. • Rollout of Quality/Safety/Environment (QSE) certification schemes. • Raising of managers' awareness of business ethics: Code of Ethics circulated to all staff, training for managers in competition and anti-corruption rules.	• Increase use of specialist outside bodies to conduct customer satisfaction surveys. • Continue Quality/Safety/Environment certification. • Train managers in business ethics in subsidiaries outside France.	
	Incorporate risk into the day-to-day management of the company.	• **61%** of sales in activities where a formal analysis of environmental risk is carried out.	• More analysis of environmental, social and reputation risks in commitment and control procedures.	• Introduce a risk map for each subsidiary (risk identification and weighting).	
	Develop balanced relations with suppliers and subcontractors and involve them in Bouygues Construction's sustainable development policy.	• **38%** of sales generated by operating units that have adopted the sustainable development charter for subcontractors and suppliers.	• Progress partnerships with subcontractors: working groups, agreements, satisfaction surveys. • Responsible purchasing policy: evaluation of products' environmental performance, eco-friendly equipment catalogue, work clothes made of fair-trade cotton. • Sustainable development charter appended to contracts with the aim of involving suppliers and subcontractors in the policy.	• Develop partnerships with subcontractors and suppliers. • Enhance the catalogue of products evaluated on their environmental performance. • Append sustainable development charter to all contracts with subcontractors and suppliers.	
Social/HR challenges	Lead our business sectors in terms of health and safety.	• **75%** of sales in activities with OHSAS 18001: 2007 certification. • **14.76%** industrial accident frequency rate.	• In-house European Safety Day initiative (9,000 participants), followed by a campaign to raise safety awareness with "Safety. Life's worth it" slogan. • Safety training for site workers, validated by a "builder's licence"; appointment of site safety supervisors. • Road safety campaigns to raise awareness among staff.	• Give all operating units measurable safety targets. • Organise a road safety day to raise awareness among staff.	
	Encourage diversity in the company.	• **17%** of managers in France are women. • **449** disabled employees in France.	• Equal opportunity training for recruitment managers to combat discrimination in recruitment (25 managers trained). • Three-year agreement at ETDE relating to the hiring and maintenance in employment of disabled people. • Disability Charter with the French Ministry of Employment, Social Cohesion and Housing. • Conclusion of three equal opportunity agreements based on gender.	• Continue equal opportunity training (75 people trained in 2008). • Implement the "Plus Handicap" scheme, going beyond regulatory requirements to make buildings more convenient for the disabled (Bâtiment IDF). • Conclude two more equal opportunity agreements.	

Measures to be introduced in 2008 | Measures introduced in 2007 | Ongoing measures | Measures completed in 2007

	Our aim	2007 key figures	Action plan	2008 objectives	Progress
Social/HR challenges	Develop employees' skills and promote fulfilment.	• **40%** of staff attended a training course during the year.	• General and specialised training, introduction of a QSE Academy for site workers in Europe – the "Pro Academy". • Inclusion of employee satisfaction surveys in the corporate management cycle (every three years). • In-house survey of attractiveness.	• Create a Bouygues Construction university. • Introduce employee satisfaction surveys throughout the group, followed by action plans. • Introduce a cycle of training courses for the sustainable development function.	
	Participate in the economic and social life of the regions where we operate.	• **175** partnerships supporting education and health.	• Retraining policy for people in difficulty: "Gateway to Employment" programme in the Paris region, support for sports clubs for young people in underprivileged suburbs ("Sport in the City" initiative), 2007 Bâtifoot Trophy and presentation of building trades. • Sponsorship of the planning and development of a new Classical Antiquities section of the Louvre Museum.	• Implement an agreement with the French Defence Ministry for the integration of young people with social and educational difficulties. • Conclude a partnership with Batipôle for the integration and training of young people in difficulty.	
Environmental challenges	Increase the consideration given to environmental factors in project design and construction.	• **101** high environmental performance buildings on order in 2007.	• R&D programme on sustainable construction: energy performance of buildings, overall cost, positive-energy buildings. • Creation of "Projection", a software package for evaluating the sustainable development performance of housing projects to encourage clients to choose the best environmental and financial solutions (150 salespeople trained).	• Introduce a sustainable construction task force and develop positive-energy office building projects. • Train salespeople and technicians in sustainable construction (1,500 people trained in 2008). • Design learning tools to raise awareness among clients of the benefits and demands of sustainable construction.	
	Reduce the environmental impacts of our activities.	• **61%** of sales in activities with ISO 14001: 2004 certification. • **184** "blue", or QSE, work sites in Europe.	• Formal definition of environmental standards to be observed on work sites to limit their impact (building in France). • Introduction of the "blue", or QSE, work site label in Europe, awarded to sites operating under exemplary quality, safety and environmental standards. • Campaigns to raise awareness among staff of small ways to help the environment.	• Introduce environmental standards for work sites in operating units in France. • Improve information about eco-friendly equipment (eight new eco-friendly items of equipment planned in 2008).	
	Reduce CO_2 emissions related to our activities.	• **15** staff authorised by the French environment agency ADEME to conduct carbon balances in the group.	• ADEME-trained staff in each operating unit authorised to conduct carbon balances. • Carbon balances of about 20 building and civil works projects. • Adaptation of entitlement rules for company cars to favour vehicles that emit less CO_2.	• Design carbon balance measurement software to suit the Group's business areas. • Define action plans to reduce CO_2 emissions (vehicles, computer hardware, etc.).	

Leading the way on safety

Launch of a formal policy

2007 saw the launch of Actitudes, Bouygues Construction's sustainable development policy. Organised around seven key themes subdivided into 42 actions, it constitutes the common core of the policy for all Bouygues Construction subsidiaries.

In February 2007, some 3,500 managers came together for a launch convention in eight locations linked by video relays in order to keep travel to a minimum. An extensive communications campaign was carried out, targeting the group's 50,000 employees and involving brochures, posters, a specific intranet site, a communications pack to help managers get the message across, meetings within subsidiaries, etc.

Organisation

A sustainable development department has been created, reporting to Bouygues Construction's senior management, to oversee policy implementation. It is supported by sustainable development managers in each of the group's seven operating units and a network of 90 officers who promote the policy within their particular subsidiary.

A sustainable development committee made up of representatives from operating units and support divisions meets once a month to coordinate action and exchange best practices. Sub-committees have also been set up to work on specific subjects, like reducing the carbon footprint of work sites, giving employees training in sustainable development, road safety, etc.

Bouygues Construction's commitments are published on its website[1].

(1) http://www.bouygues-construction.com/147i/sustainable-development/our-commitments.html

Actitudes: seven key themes

- Foster a trusting relationship with our clients, based on consideration, transparency and innovation.
- Incorporate risk into the day-to-day management of the company.
- Lead our business sectors in terms of occupational health and safety.
- Develop our employees' skills and promote equal opportunity.
- Establish balanced, long-term relationships with partners, suppliers and subcontractors.
- Ensure that our businesses respect the environment.
- Participate in the economic and social life of the regions where we operate.

Financial and business challenges

Foster a trusting relationship with our clients, based on consideration, transparency and innovation

Progress has been achieved through the widespread introduction of customer satisfaction surveys and the use of specialist, independent organisations. Satisfaction surveys were carried out on 33% of completed projects.

On ethics issues, training courses have been developed to inform staff of the rules of conduct relating to competition, business ethics and corruption.

To support clients in their sustainable development approach, the group has developed a software package to evaluate housing projects against sustainable development criteria from the design phase. Dubbed "Projection", the package uses a set of 120 multiple-choice questions to define the project's profile and whether it will be eligible for the "Habitat & Environment" label.

Incorporate risk into the day-to-day management of the company

In 2007, Bouygues Construction stepped up its vigilance in relation to environmental, social and

Balanced relations with partners

reputation risks by tightening up its procedures and enhancing employees' skills in these areas. Bouygues Entreprises France-Europe developed a method for evaluating environmental risks and opportunities from the business development phase and introduced environmental standards on its work sites with tougher targets than those required by regulations. A major project to draw up a risk map for each subsidiary was begun in 2007.

Establish balanced, long-term relationships with partners, suppliers and subcontractors

Bouygues Construction's subsidiaries have established partnerships with their suppliers and subcontractors, reflected in conferences, common working groups to improve quality and safety or take better account of environmental issues, actions to train and raise awareness among subcontractors' staff and satisfaction surveys to better identify areas for improvement.

Bouygues Construction has drafted a sustainable development charter, appended to contracts and designed to enlist the support of suppliers and subcontractors for its policy.

Bouygues Construction also incorporates environmental criteria into its purchasing policy, including the creation of a database of products and materials evaluated in terms of their environmental characteristics and a catalogue of the most eco-friendly equipment. An analysis of environmental and health risks has been carried out on a large majority of products purchased, grouped into 55 families (precast elements, vehicles, external joinery, curtain walls, etc.).

Testimonial

Patrick Prudent,
Chairman and CEO of Recma*

"Bouygues Bâtiment Ile-de-France invited us to a risk prevention conference led by OPPBTP, the construction industry accident prevention body. That meeting, which would not have taken place otherwise, encouraged us to take a proactive approach to risk prevention, drawing up a list of risks incurred in the group, our strengths and weaknesses and areas for improvement. Bouygues Bâtiment Ile-de-France also gives us advice on sustainable development issues and what we can do to protect the environment. Its eagerness to bring us on board and to share its know-how and best practice helps us to make progress and build a long-term partnership."

(*) Recma is a subcontractor for Bouygues Bâtiment Ile-de-France.

Social and HR challenges

Lead our business sectors in terms of occupational health and safety

Accident prevention in our business sectors involves training and coordination and action to make staff more responsible. These initiatives form part of a total safety management system whose effectiveness is illustrated by the fact that 75% of Bouygues Construction's activity has OHSAS 18001: 2007 certification.

One highlight of 2007 was "European Safety Day", a major initiative involving 9,000 office and operational staff on Bouygues Entreprises France-Europe's 250 work sites. The event was followed by a poster campaign with the slogan "Safety. Life's worth it."

Particular emphasis was given to promoting safety awareness in international subsidiaries. Ambitious safety targets have been set in all countries, and the results will be reflected in the variable component of the pay of Bouygues Bâtiment International's managers.

Develop our employees' skills and promote fulfilment

Concerned to keep staff employable and to enhance their skills throughout their career, Bouygues Construction spent €31.6 million on training in France, equivalent to 4.6% of the 2006 payroll. 40% of employees received training within the group in 2007.

The widespread introduction of employee satisfaction surveys has helped to ensure that greater consideration is given to their expectations. Surveys were sent to 8,000 employees (16% of the workforce) in 2007, ranging from site workers to managerial staff, and the average response rate was 60%.

Satisfaction surveys covered 16% of staff

To encourage loyalty, profit-sharing agreements and employee share ownership schemes give staff a stake in the group's success.

The Minorange Guild, which has almost 1,000 members in France, makes the group more attractive by giving recognition to its best workers. A number of orders have been created outside France, including in Morocco, Hong Kong and Cuba, and in the group's other businesses. A new order is due to be created in Thailand in 2008.

Encourage diversity in the company

Equal opportunity training has been developed for those responsible for recruitment in order to combat discrimination in the hiring process. 20 people were given training at two sessions in 2007 and the initiative is continuing in 2008 with a target of 75 new participants.

One result of encouraging diversity is the growing number of women in positions of operational responsibility, on work sites, in sales and in property development, for example. Women represented 14% of the workforce and 17% of managerial staff in France in 2007.

Integrating disabled employees and keeping them in employment continued to be a priority (there were 449 disabled employees in French subsidiaries in 2007, compared with 357 in 2006). Most French subsidiaries have concluded partnership agreements with Agefiph, the French agency responsible for facilitating the employment and retention of people with disabilities.

Participate in the economic and social life of the regions where we operate

In France, this commitment takes various forms, such as the financing of charities that help to retrain young people (GFC Construction is a partner of the "Sport in the City" initiative), the "Gateway to Employment" programme in the Paris region, and support for a French Defence Ministry scheme to help young people in difficulty into employment.

Internationally, Bouygues Construction has a proactive policy of employing local site workers and managers which contributes to the development of the countries where it operates. In Cuba, for example, Bouygues Bâtiment

International has implemented a highly structured system for transferring know-how to local staff. In Equatorial Guinea, the local subsidiary installs drinking water points on all its sites and regularly distributes drinking water to public institutions like hospitals and schools.

In 2007, Bouygues Construction subsidiaries supported 175 charities and over 150 organisations promoting employment opportunities.

Environmental challenges

Include environmental factors in design

Facing the challenges of global warming and the need to save energy strengthened by the recommendations of the Grenelle Environment Forum, Bouygues

Testimonial

Lionel Rondeau,
national technical director of Arcade*

"The in-house 'blue', or QSE, label used by Bouygues Entreprises France-Europe is based on the three pillars of sustainable development – environmental, social and economic – which are incorporated into our "Three Suns" brand. The initiative tackles the issue of low-nuisance work sites and addresses our requirements as a client. For example, it guarantees less waste and less disturbance for local residents, as well as better on-site safety. Thanks to a set of tracking indicators, we can also measure the practical benefits of the approach."

(*) The Arcade group is a client of Bouygues Entreprises France-Europe.

Partnership with the "Sport in the City" initiative

Construction increased its budget for research into sustainable construction by 13% in relation to 2006 and is planning a further 60% increase in 2008. Sustainable construction ranked first among items in the group's research spending, accounting for 21% of R&D expenditure in 2007, rising to an expected 29% in 2008. Current research projects cover such themes as energy saving in residential and office buildings, overall cost, the incorporation of renewable energy sources into buildings, etc.

Bouygues Construction has set up a network of about 50 sustainable construction experts in its operating units. It has also forged partnerships with players in the sector that have developed considerable expertise in low-energy buildings, including architects, engineering consultancies, materials suppliers, etc.

Bouygues Construction subsidiaries designed and sold 101 high environmental performance buildings in 2007.

Reduce the environmental impacts of our activities

Protection of the environment is ensured through an environmental management system for which many group subsidiaries have obtained ISO 14001: 2004 certification. 61% of sales are in activities with ISO 14001 certification.

The group continued to roll out its "blue", or QSE, label in Europe, awarded to work sites with exemplary environmental, safety and quality standards. 184 sites obtained the label in 2007.

Bouygues Construction subsidiaries continued their efforts in the following areas:

- waste sorting and recycling;
- the use of eco-friendly equipment;
- reduced fuel consumption (use of Total Excellium diesel fuel, eco-driving campaigns);
- quality of relations with local residents (consultation with local associations before and during work, constant communications, noise and dust pollution and traffic disturbance kept to a minimum);
- greater awareness among employees and subcontractors of small ways of protecting the environment (handbooks, environment kits, training, communication campaign targeting 3,000 headquarters staff).

Reduce CO_2 emissions

As part of the effort to reduce global warming, Bouygues Construction has decided to develop a strategy to reduce its CO_2 emissions. In order to identify where emissions take place and how they can be reduced, the group has acquired carbon balance skills. 15 employees, trained by the French environment and energy management agency ADEME, are authorised to carry out carbon balances of the group's activities or of projects for clients. A further 25 people have received in-house training. Carbon balances of buildings and engineering projects were conducted in 2007.

Bouygues Construction is also working on software to calculate CO_2 emissions, adapted to its lines of business, which will be finalised in 2008. As well as highlighting the value of eco-friendly technical alternatives, it will allow the group to track greenhouse gas emissions related to its subsidiaries' businesses.

Outlook for 2008

In view of order intakes, Bouygues Construction expects sustained growth to continue in 2008. The order book at end-2007 was worth €11.3 billion, representing 70% of forecast sales for 2008. Reflecting the success of a strategy begun several years ago, the long-term order book (more than five years) increased by €444 million to €1.3 billion.

Bouygues Construction is continuing its growth strategy, focusing on four areas:

• Public-private partnerships and concessions

Bouygues Construction aims to get involved in projects as early as possible in order to add value at all stages, from design and construction to operation and maintenance. In 2008, the group intends to pursue its strategy of growth in infrastructure, education, healthcare, prisons and street lighting.

• Property development

This activity covers property development projects involving the identification and acquisition of sites and the establishment of partnerships with users and investors.

• Electrical contracting and maintenance

Expansion in electrical contracting and maintenance will enable Bouygues Construction to strengthen its presence in profitable activities with complementary business cycles.

• Expansion in Europe

Bouygues Construction is continuing its expansion in Europe through organic and external growth.

To consolidate its strategy, Bouygues Construction will continue to pursue its sustainable development and innovation policy, strengthen its human capital and foster a partnership culture.

A leading property developer

Excellent financial position and a sharp rise in reservations

With 35 branches in France and eight subsidiaries elsewhere in Europe, Bouygues Immobilier **develops residential, commercial and retail park projects. The company further increased its share of the residential market in 2007 and saw a very sharp upturn in commercial property reservations.**

Green Office, a positive-energy building

2007 sales	Operating margin	Net profit att. to the Group	Employees	2008 sales target
€2,075m (+29%)	10.1% (-0.8 point)	€124m (+16%)	1,545	€2.9bn (+40%)

Highlights

Residential

- 11,465 housing units reserved (+6%), for €1,948m (+9%).
- 11% increase outside the Paris region.
- Marketing of Maisons Elîka (74 units in Verdun).

Commercial

- Very sharp rise in reservations: 343,000 sq. metres for €1,694m (x 3.5).
- Major sales of buildings in France: Galeo (16,400 sq. metres) and Mozart Tower (45,500 sq. metres) in Issy-les-Moulineaux; Bouygues Telecom Technical Centre (57,000 sq. metres) in Meudon, in the Paris region.

Development

- Acquisition of the developer Blanc & Cie in Grenoble (484 housing units delivered in 2006).
- Launch of Green Office, the first large-scale positive-energy building, in Meudon.

A leading property developer

Bouygues Immobilier operates in all areas of property development, including residential, serviced accommodation, offices, shops, hotels and retail parks. The company designs, builds and markets high-quality living spaces for its customers. After identifying and buying the land, it draws up the project with the architect and the designers and resolves any technical, administrative and financial issues. Bouygues Immobilier then develops the project, generally as the client, and markets it to customers, whether private individuals, companies or investors.

Bouygues Immobilier also carries out major urban development projects designed to make cities more human. In constant consultation with mayors, elected officials and planners, the company develops projects that meet the needs of local communities. With projects like La Berge du Lac in Bordeaux and the Seine Ouest business district in Issy-les-Moulineaux, just outside Paris, its design priorities are guided by two key factors: high-quality architecture and sustainable development. Bouygues Immobilier commissions well-known architects to work on its projects, like Portzamparc, Wilmotte and Arquitectonica for Seine Ouest. By incorporating environmental imperatives into the design process from the outset, Bouygues Immobilier aims to achieve a high level of environmental performance.

Bouygues Immobilier is in robust commercial and financial health. Residential and commercial reservations during the year rose by 60% to €3,642 million, including:

- 11,465 housing units for €1,948 million (up 9%);
- 343,324 sq. metres of commercial property for €1,694 million.

Sales in 2007 amounted to €2,075 million, a rise of 29% on the previous year. The residential property sector

contributed three-quarters of the total, representing €1,561 million (up 24%), and the commercial property sector one-quarter, representing €514 million (up 48%).

The order book totalled €4,064 million, representing 23.5 months of sales, up 65%.

Current operating profit amounted to €210 million, giving a margin on sales of 10.1%.

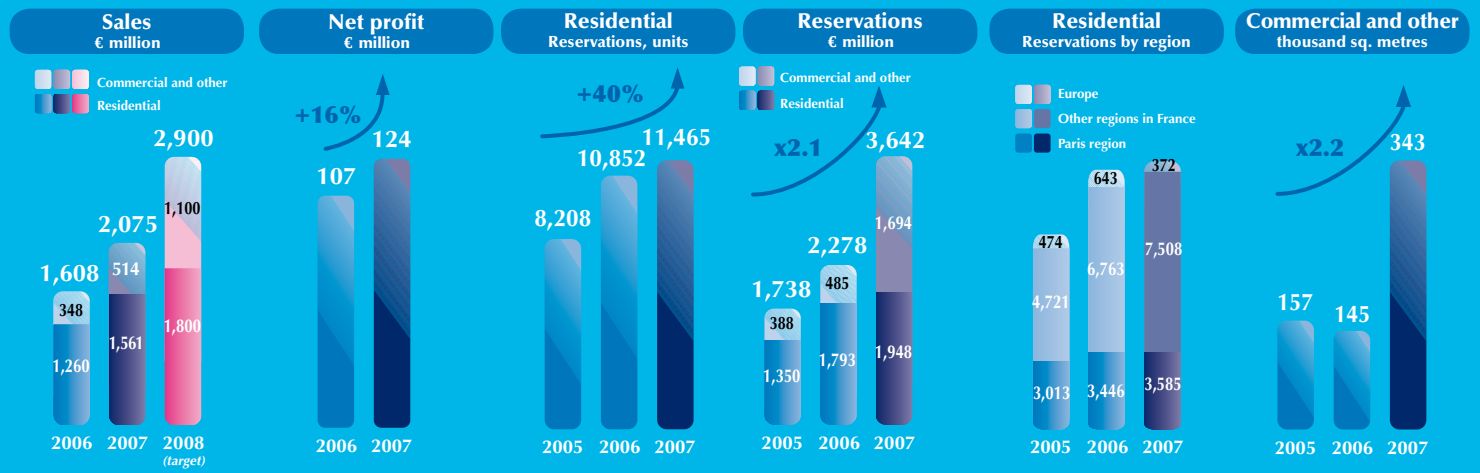
Net profit attributable to the Group was €124 million, an increase of 16% on 2006.

The company had shareholders' equity of €384 million and posted net debt of €2 million at 31 December 2007.

In response to rapid growth and the prospect of further expansion, Bouygues Immobilier changed its organisational structure. Where it used to be structured geographically, in July 2007 the company reorganised around its business areas:

- commercial property and Europe: commercial property in the Paris region, major urban development projects, retail parks and European subsidiaries (Spain, Portugal, Belgium, Germany and Poland);
- residential property in France, subdivided into three sectors:

  - Paris region,
  - Northern France and Atlantic coast,
  - Southern France.



CONSOLIDATED BALANCE SHEET AT 31 DECEMBER

ASSETS (€ million)	2006	2007
• Property, plant and equipment and intangible assets	13	15
• Goodwill	-	-
• Non-current financial assets and taxes	46	52
NON-CURRENT ASSETS	59	67
• Current assets	1,484	2,048
• Cash and equivalents	144	233
• Financial instruments used to hedge net debt	-	-
CURRENT ASSETS	1,628	2,281
TOTAL ASSETS	1,687	2,348

LIABILITIES AND SHAREHOLDERS' EQUITY (€ million)	2006	2007
• Shareholders' equity att. to the Group	329	381
• Minority interests	1	3
SHAREHOLDERS' EQUITY	330	384
• Non-current debt	38	116
• Non-current provisions	86	86
• Other non-current liabilities	3	3
NON-CURRENT LIABILITIES	127	205
• Current debt	78	117
• Current liabilities	1,150	1,640
• Overdrafts and short-term bank borrowings	2	2
• Financial instruments used to hedge net debt	-	-
CURRENT LIABILITIES	1,230	1,759
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	1,687	2,348
Net debt	(26)	2

CONDENSED INCOME STATEMENT

(€ million)	2006	2007
SALES	1,608	2,075
• Net depreciation and amortisation expense	(2)	(4)
• Net charges to provisions and impairment losses	(4)	(38)
• Other income and expenses	(1,426)	(1,823)
CURRENT OPERATING PROFIT	176	210
• Other operating income and expenses	-	-
OPERATING PROFIT	176	210
• Cost of net debt	(1)	(10)
• Other financial income and expenses	(10)	(12)
• Income tax expense	(56)	(60)
• Share of profits and losses of associates	-	-
NET PROFIT FROM CONTINUING OPERATIONS	109	128
• Net profit of discontinued and held-for-sale operations	-	-
NET PROFIT	109	128
• Minority interests	2	4
CONSOLIDATED NET PROFIT att. to the Group	107	124

Galeo, Bouygues Immobilier's future headquarters

Residential property: continuing growth in a consolidating market

As forecast, the soft-landing scenario was confirmed as pressure from higher interest rates and prices resulted in a slower rate of sales. The overall market stabilised in volume terms, with private-sector developers building 127,400 new housing units.

Household solvency deteriorated slightly while remaining satisfactory. The number of owner-occupants increased by 5% in relation to the number of buy-to-let investors.

The housing issue continued to be a source of concern in France. According to a research paper by Crédit Foncier in November 2006, there is a shortfall of 1 million housing units (new housing built by private-sector developers, social housing and detached houses). An estimated 500,000 units are needed each year until 2012 as a result of both demographic pressure and sociological factors like an ageing population, greater professional mobility, changing family structures and migration between regions. In comparison, only 423,000 new housing starts were made in 2007.

The market for new housing built by private-sector developers was highly fragmented. The top eight French developers accounted for about 40% of the market and the top four for 30%. Bouygues Immobilier's share of 8.7% made it the market leader ahead of Nexity. Its other main rival was Kaufman & Broad.

With this market share of 8.7%, 0.6 of a point more than in 2006, Bouygues Immobilier broke a new sales record. Reservations rose by 5.6% to 11,465 units, including 372 in European countries outside France. The overall growth rate in France was 9% (11% outside the Paris region), driven by strong demand in the Rhône-Alpes region and along the Atlantic coast. Residential reservations climbed 8.6% by value.

In line with Bouygues Immobilier's commitments, Habitat and Environment (H&E) certification is sought for all residential projects where an application for planning permission has been submitted since July 2007. Bouygues Immobilier was the first nationwide property developer to make such a commitment. Certification is an essential element of the company's strategy and central to its sustainable development policy.

Paris region

The Paris region gives a concentrated reflection of conditions on the wider market, such as extensive demand, scarce land, rising prices and concentration in the property development business. Unlike elsewhere in France, however, the lack of residential property for sale has caused reservations to fall.

Despite this context, Bouygues Immobilier increased its market share by 1 point to 17%. Reservations in the Paris region rose by 4% in 2007 to 3,585 units, representing almost one-third of the company's sales in France.

Because of the scarcity of land in Paris and a sharp rise in prices, Bouygues Immobilier has expanded mainly in the second and third ring of suburbs, concentrating on projects accessible to first-time buyers.

In Corbeil-Essonnes, to the south of Paris, Bouygues Immobilier won two competitions relating to the development and sale of land. Spanning 83,000 sq. metres, the projects involve 715 units for first-time buyers, 120 intermediate rental units, 200 social housing units, two halls of residence for students and nurses, schools and many local shops.

Other large-scale projects have been launched, such as La Croisette in Carrières-sous-Poissy, a new phase of a major programme involving over 700 housing units.

Completed projects include L'Orée

des Elfes in Bouffémont, the first with H&E certification, and Quai 13 in Paris, a flagship H&E programme designed by the renowned architect Henri Gaudin.

Rest of France

The market in the French regions is particularly fragmented, since the top four developers account for only one-quarter of the market.

Regional growth was strong in 2007. The share of residential property sales made in the regions has risen from 61% to 68% over the last three years. Reservations increased by 11% in 2007.

Bouygues Immobilier continued its strategy of external growth, acquiring Blanc et Cie, a property developer in Grenoble. A key player on its local market, Blanc et Cie has solid positions in the residential property market in that part of the country. It delivered 484 units in 2006 and has a substantial land portfolio that provides good visibility for the future. The tie-up with Bouygues Immobilier should enable the company to double its market share in the Isère department.

Vigorous activity in southern France led to the creation of two new regional divisions, Côte d'Azur and Dauphiné & Savoie. In Rhône-Alpes, staff in Lyon were reassigned to two new branches covering the north and south respectively of the greater Lyon region.

Nursing home in Vincennes (Paris region)

Two successes in competitions gave Bouygues Immobilier a foothold in Besançon. It also set up new branches in Gap and in Auvergne, the latter on the back of the company's first project in Clermont-Ferrand. The Rhône-Bourgogne-Auvergne regional division now covers both Auvergne and Franche-Comté.

Several remarkable projects are being carried out in 2008, including two flagship developments in Bordeaux: La Berge du Lac (30 hectares, 2,150 housing units, 30,000 sq. metres of public amenities, 40,000 sq. metres of parks) and L'Atria, a mixed-use residential and commercial project including 108 housing units, designed by the famous architect Christian de Portzamparc.

Several projects were marketed in 2007, including the 325-unit Domaine des Arts in Clermont-Ferrand, the Rhône-Bourgogne-Auvergne division's biggest project in terms of the number of units.

Maisons Elîka: a new range of homes

Maisons Elîka offers a range of high-quality homes for people earning less than €3,000 net per month, with a maximum price tag of €145,000 inclusive of tax. The homes are marketed online through the website www.maisons-elika.com. Maisons Elîka, a wholly-owned Bouygues Immobilier subsidiary created in 2007, has already identified potential sites for 1,000 homes. A first programme of 74 homes was launched in Verdun in eastern France in December 2007. Blending seamlessly into their surroundings, the village-type houses are built in a traditional architectural style, without any local government subsidy. Each programme, with H&E certification, is carried out with the help of a specially chosen architect and landscape designer.

A fast-growing serviced residence business

Bouygues Immobilier designs and builds several types of residence, including nursing homes, student residences and serviced accommodation for business travellers and tourists.

The recently created serviced residence division took reservations for 1,000 units in 2007, located all over France (Aubagne, Dax, Lyon, Nantes and Strasbourg). The residences are designed in partnership with professionals with an acknowledged track record in their sector, such as Medica France, Réside Études, Pierre & Vacances, etc.

Commercial property: record business activity

The commercial property sector continued to thrive in 2007, with total investment in France of €27 billion (+17%) and 2.9 million sq. metres let. The market in the Paris region stabilised at a high level, with 2.7 million sq. metres rented out in 2007. Elsewhere in France, major regional centres like Marseille and Lyon were increasingly attractive to investors.

In this context, Bouygues Immobilier reported record business activity in France, amounting to €1,617 million in value terms.

Completed sales included three buildings totalling 160,000 sq. metres in Seine Ouest, the new very High Environmental Quality (HQE) business district just outside Paris. They are the 45,500-sq.-metre Mozart Tower, Bouygues Telecom's future headquarters, which has HQE certification for commercial buildings; the 16,400-sq.-metre Galeo building, Bouygues Immobilier's future HQE-certified headquarters and a showcase for the company's know-how in architectural innovation and sustainable development; and the 15,900-sq.-metre Eqwater building, the southern wing of the Mozart Tower.

Other sales included:

- the 35,000-sq.-metre Trianum building, Schneider Electric's future HQE-certified headquarters in Rueil-Malmaison;
- the 57,000-sq.-metre Bouygues Telecom Technical Centre in Meudon, a strategic response to the mobile phone operator's own particular innovation challenges;
- Spallis, a 39,000-sq.-metre development in Saint-Denis;
- the Marengo, a 12,900-sq.-metre development near the historic centre of Toulouse. The outcome of a competition organised by the city authorities, the project is remarkable for its choice of unusual materials (brick and wood), alongside the transparency of glass and the modernity of steel;
- the second phase (10,000 sq. metres) of the Axiome project in Rennes, the first part of the future 60,000-sq.-metre Alma-Fréville business district, itself an element of the major city centre rehabilitation project;
- Le Patio (8,920 sq. metres), Plein Ouest (11,072 sq. metres) and Longchamp (8,702 sq. metres) in Marseille;
- 11 office buildings in the 26,000-sq.-metre Woodstock business park in Saint-Priest near Lyon.

Over 110,000 sq. metres of office space were sold outside the Paris region in 2007.

Several major projects are under way, including:

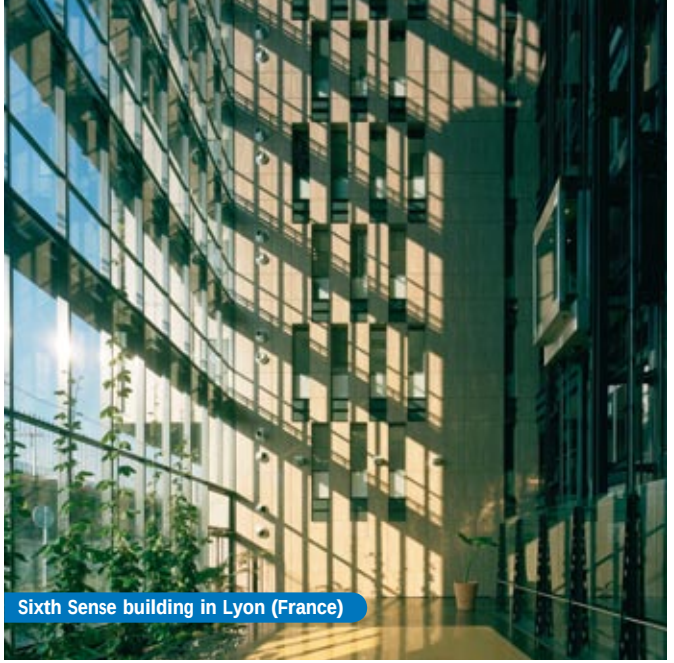
- the 6,000-sq.-metre Courtyard by Marriott and 2,925-sq.-metre B&B hotels in Saint-Denis;
- the 23,614-sq.-metre headquarters of La Banque Postale in Paris. A redevelopment of the former headquarters of Caisse Nationale d'Épargne, a mid-19th century listed building, the project is awaiting HQE certification and forges a harmonious link between the history of the site and the present day;
- the 38,000-sq.-metre Spazio project in Nanterre, a building which meets all international technical standards and will house the staff of Total Raffinage;
- Daviel, a 6,373-sq.-metre office building in Paris, entirely restructured and designed by the architect Jean-Jacques Ory;
- the Bristol, a 9,004-sq.-metre development in Vincennes designed by Boisseson Dumas Vilmorin & Associés.

Bouygues Immobilier completed a number of flagship projects in 2007:

- Pierre 1er de Serbie, the 6,050-sq.-metre rehabilitation of the former Medef headquarters;
- Sixth Sense, the 8,600-sq.-metre new regional headquarters of Bouygues Immobilier Rhône-Bourgogne-Auvergne. Located close to the Part-Dieu business district, the building incorporates feng shui* principles, giving it an innovative aspect that matches corporate expectations of working and environmental conditions.

Retail parks: expansion in the regions

The 3,800-sq.-metre second phase of the Beaucaire retail park was opened in 2007. Having completed a large number of projects in Spain and Portugal, Bouygues Immobilier has acquired considerable know-how in the development and construction of retail parks. With 100,000 potential customers on its doorstep, the park offers an architecturally integrated shopping complex sharing the same design features, laid out around a common car park and providing a full range of customer services.



Sixth Sense building in Lyon (France)

In Orange, Bouygues Immobilier has obtained authorisation to build a 30,000-sq.-metre retail park with about 50 shops around a central square. It will increase the town's attraction as a shopping centre and greatly improve quality and convenience for shoppers. The opening is scheduled for late 2009.

Europe: continuing controlled growth

In Spain, Bouygues Inmobiliaria delivered a 5,000-sq.-metre building as part of the Cristalia office project in Madrid. It also finished letting 27,000 sq. metres in the same programme and began work on an 11,000-sq.-metre building sold to the Spanish insurance company Ama.

2007 also saw the sale of another 5,000-sq.-metre office building in Madrid, delivery of a first programme of 40 semi-detached houses and the start of work on a retail park in La Coruña. Bouygues Inmobiliaria also submitted a tender for two office projects in Madrid and Barcelona, each of approximately 20,000 sq. metres, and a 30,000-sq.-metre retail park in Barro in Galicia.

The company had little exposure to the housing slump, since residential property sales in Spain accounted for only 1.7% of Bouygues Immobilier's total sales.

In Portugal, Bouygues Imobiliária handed over an entirely pre-let, 10,000-sq.-metre office building in Lisbon. It also delivered an 18,800-sq.-metre retail centre in Braga, entirely let upon opening. The company continued to expand its retail and office property business. In the retail seg-

(*) The Chinese art of capturing and facilitating the circulation of positive energy to create the best possible conditions for the health and well-being of a building's occupants

ment, Bouygues Imobiliária will build three shopping centres in Guimaraes, Braga and Portimao, representing a total floor area of over 125,000 sq. metres and projected sales of over €300 million, and two retail parks in Lisbon and Portimao, representing 30,000 sq. metres and projected sales of €55 million.

In the office segment, Bouygues Imobiliária is developing two projects in Lisbon totalling 15,000 sq. metres and representing projected sales of €45 million. Negotiations are in progress with Pramerica for the sale of three projects, including a shopping centre and the two office projects. Work is due to start in 2008, once the sale has been finalised.

In Germany, Bouygues Immobilien handed over its two 60-apartment programmes and a 3,000-sq.-metre office building sold in December 2006.

In Belgium, Bouygues Immobilier Belgium continued to expand in the residential and commercial property sectors. In 2007, it started marketing three programmes totalling 180 apartments in Brussels and completed another 54-apartment project. The company acquired sites for more than 630 housing units, developing projects in both the French-speaking and Dutch-speaking parts of the country with the aim of becoming a nationwide player. At the same time, in the commercial property segment, Bouygues Immobilier Belgium obtained administrative authorisation for two projects representing about 30,000 sq. metres and planning permission for a 5,400-sq.-metre office project.

The subsidiary reported a 53% increase in book sales on 2006.

In Poland, work began on five residential projects representing about 800 units. Bouygues Immobilier Polska delivered three projects totalling 243 units and started marketing four new phases of existing projects comprising 434 units. The company is now a key player on the Warsaw residential property market and is maintaining its target of selling 1,000 units a year on a less dynamic but still resilient market. At the end of the year, it controlled building rights representing a potential of over 2,000 units and had 58 employees, an increase of 45% on the previous year.

Modern Villa project in Warsaw (Poland)

Research and development

Bouygues Immobilier diversified its marketing channels. Door-to-door sales to private individuals and sales through on-site offices accounted for only 48% of total sales; block sales to registered social landlords accounted for 25% and the website www.valorissimo.com and other external networks for the remaining 27%.

In 2007, Bouygues Immobilier launched its new website, www.bouygues-immobilier.com. It has become a must for anyone scouring the property market; 70% of the company's prospective customers in 2007 visited the site.

With the site's new Google Map-enabled search engine, visitors can locate available programmes online, applying a wide range of criteria to refine the search.

Responding to demand from the growing number of first-time home buyers, the new Maisons Elîka range uses an innovative marketing technique. Via the www.maisons-elika.com website, future buyers can find plans and photographs of the developments, obtain full information about the products, make virtual visits and pre-reserve a house.

Green Office, launched in 2007, is the first large-scale positive-energy building. Incorporating the latest technology, including solar panels and a biomass combined heat and power system, in operation the building will be able to produce more energy than it consumes. In that respect, the Green Office project is a real technology incubator and the forerunner of a new generation of buildings.

Operating risks

Bouygues Immobilier has refined its risk management procedures by drawing up a risk map. This ongoing project will ensure a better match between controls and exposure to risks like soil pollution and asbestos. The company has introduced systematic procedures to manage operating risks like pollution, asbestos, risk to local residents and geotechnical risks. Through its management system, it also ensures that its partners comply with regulatory procedures.

At the same time, all its procedures have been rewritten and circulated to ensure that they reach new employees. The measures are part of an internal control project initiated by Bouygues SA, the parent company, in response to the recommendations of the AMF, the French securities regulator.

To forestall geotechnical risk, Bouygues Immobilier commissions specialist consultants to carry out thorough soil surveys before buying sites or starting works.

Likewise, in urban settings Bouygues Immobilier pays particular attention to the surrounding built environment and systematically conducts condition surveys of adjacent properties.

Braga retail centre in Portugal

Sustainable development indicators

	Our aim	2007 key figures	Action plan	2008 objectives	Progress
Financial and business challenges	Offer customers environment-friendly housing at no extra cost.	• Energy saving of at least **10%** compared with 2005 thermal regulations.	• Implementation of the framework agreement with Cerqual, a subsidiary of Qualitel. • Certification requested for all residential programmes in France as of 1 July 2007. • Increase in internal productivity through common processes in the residential property business.	• Habitat & Environment certification for all residential programmes in France.	
	Guarantee customers (investors or users) a high level of quality.		• Deliver housing that complies with the quality requirements laid down in regulations and the reservation contract. • Formally define a customer support process, from reservation to delivery.	• Extend a system for measuring customer satisfaction to each stage of the (residential) project lifecycle.	
	Raise awareness of sustainable construction among all our partners and contribute to the creation of sustainable neighbourhoods.	• **2** seminars organised in the framework of the Observatoire de la Ville forum.	• Clarify the concepts of sustainable construction. • Stimulate discussion and debate.	• With the CSTB, define broad outlines for positive-energy standards. • Continue the work of the Observatoire de la Ville forum, incorporating sustainable development concerns.	
Social/HR challenges	Develop social housing.	• Land bank of **1,000** housing units. • **18%** of housing units sold to registered social landlords.	• Launch of Maisons Elîka with a first 74-home programme in Verdun. • Sale of rental housing to registered social landlords.	• Launch another 15 Maisons Elîka projects in 2008.	
	Promote best practice among partners.		• Incorporate the principles of the Global Compact into framework agreements with partners (residential property in France). • Include environmental and social/labour requirements in contracts with suppliers.	• Include a Corporate Social Responsibility clause in framework agreements with all partners.	
	Favour diversity and equal opportunity within the company.	• **52%** of the workforce was male, **48%** female. • **55** work/study contracts.	• Encourage the recruitment of disabled workers. • Ensure gender parity. • Promote work/study contracts for young people. • Have older employees mentor new recruits.	• Carry out a disability survey in the company. • Assume the full cost of paternity leave in France (company-wide agreement). • 20 new work/study contracts planned in 2008. • Mentors for 80% of new recruits.	

Measures to be introduced in 2008 · Measures introduced in 2007 · Ongoing measures · Measures completed in 2007

	Our aim	2007 key figures	Action plan	2008 objectives	Progress
Social/HR challenges	Motivate and secure the loyalty of staff.	• **3.7%** of the payroll spent on training. • **84%** of employees subscribed to Bouygues Partage and **74%** to Bouygues Confiance 4. • **519** new recruits in 2007, i.e. a 50% increase in the workforce in two years.	• Enhance skills through a suitable and diversified training policy. • Offer attractive pay and benefits to employees in France and Europe.	• Provide "Respect & Performance" training to 90% of managers. • Introduce a personalised career review, gradually extend corporate savings plans to European subsidiaries.	
	Actively sponsor architectural and cultural initiatives.	• **€ 724,000** spent on sponsorship.	• Maintain our position as a founding partner of the Cité de l'Architecture et du Patrimoine. • Support various exhibitions (Christian de Portzamparc, Arc en Rêves) and festivals (Saint-Denis Festival). • Support young architects. • Support the architectural renovation of historical buildings.	• Continue the partnership with the Cité de l'Architecture et du Patrimoine, support the "Habitat Social" exhibition (Atelier Montrouge) and the Saint-Denis Festival. • Continue the partnership with New Albums for Young Architects (NAJA). • Support renovation of the church of Saint-Louis des Français in Lisbon.	
Environmental challenges	Design, market and build environment-friendly property development programmes.	• **10,466** housing units with Habitat & Environment (H&E) certification pending. • **556** units certified at 31 December 2007. • **61** kWh/sq. metre/year (Green Office building).	• Seek H&E certification for all housing units for which planning permission was applied after 1 July 2007. • Seek HQE certification for all major commercial property development projects. • Construct positive-energy buildings.	• Obtain H&E certification for all housing units in France. • Obtain HQE certification for all major commercial property development projects in the Paris region. • Launch a second positive-energy building.	
	Control and limit the environmental impacts of our activity.		• Limit the nuisance and environmental impacts of work sites. • Choose more environment-friendly construction materials.	• Take steps to assess our environmental impact by measuring the carbon balance of projects.	
	Inform customers and motivate staff.	• **100%** of construction managers trained in H&E certification. • **723** staff proposals for action in the workplace to promote sustainable development.	• Inform customers and raise awareness at all stages of the marketing process. • Train construction managers and salespeople in H&E certification. • Involve staff in practical measures to promote sustainable development.	• Continue training staff (salespeople, project managers) in sustainable development.	

Future Seine Ouest business district in Issy-les-Moulineaux near Paris

Organisation

Sustainable development policy is the responsibility of Pierre Auberger, marketing, communications and sustainable development director and a member of the management committee. The policy is implemented through the technical director and his local correspondents. The management committee monitors the sustainable development roadmap.

One of the tasks of the ethics and sponsorship committee created in 2005 is to define rules of conduct to guide Bouygues Immobilier's staff. It also defines the company's sponsorship strategy and ensures that its recommendations are acted on.

Financial and business challenges

Offer customers environment-friendly housing at no extra cost

By signing a framework agreement with Cerqual, an offshoot of the residential property certification body Qualitel, Bouygues Immobilier became the first property developer to actively commit to seeking H&E certification for all its residential development projects in France from 1 July 2007. 556 units had been certified by the end of 2007 and certification was pending for another 10,466.

H&E certification guarantees at least a 10% reduction in energy consumption in relation to 2005 thermal regulations, which sets energy performance at 150 kWh/sq. metre/year. It gives owners four main benefits: greater comfort, energy savings, water savings and enhanced property value as a result of greater energy efficiency. It also involves customers in a sustainable development approach.

Guarantee customers a high level of quality

The process for designing and building residential development projects has had ISO 9001: 2000 certification since 1996 in France. The company's Polish and Spanish subsidiaries gained equivalent certification more recently.

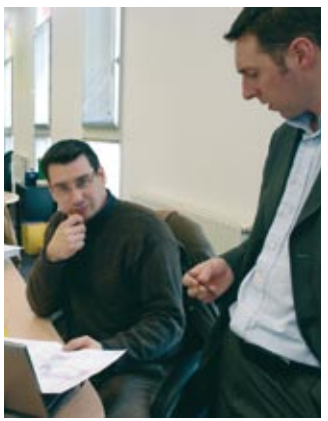
Using construction quality indicators and customer satisfaction surveys on completion of each project, the company can review its achievements and identify areas for improvement, such as delivery deadlines, finishing, customer relations, etc. A new process for measuring customer satisfaction at every stage in the residential project lifecycle will be introduced in 2008.

Raise awareness of sustainable construction among our partners

Bouygues Immobilier has implemented its sustainable development policy by training its partners (architects, suppliers, etc.) in Habitat & Environment certification and providing them with an interactive resource, the greenaffair.com website, for technical issues. Partners also undertake to comply with the principles of the UN Global Compact, to which Bouygues Immobilier has adhered.

Contribute to the creation of sustainable neighbourhoods

Bouygues Immobilier makes its experience available to local authorities wishing to carry out major urban development projects and build new neighbourhoods. Projects that combine social diver-



Domaine de Beaumanière in Dardilly (France)

sity (social housing and detached houses) with environmental protection are under way in Bordeaux, with the development of 30 hectares from 2008, and in Corbeil-Essonnes.

Bouygues Immobilier aims to be a major contributor to thinking on sustainable urban planning. That is why the company was a founder of the Observatoire de la Ville forum in 2006 alongside AMC-Le Moniteur and the Cité de l'Architecture et du Patrimoine. A centre for urban policy research, it is headed by Alain Sallez, emeritus professor at ESSEC business school, and coordinated by a committee of experts chosen for their complementary skills in the fields of sustainable development, architecture and planning. Its aim is to come up with innovative solutions and practical applications for the planners, designers and builders of tomorrow's cities. Two debates were organised in 2007, one on dwelling patterns and urban density and one on sustainable neighbourhoods, each attended by over 300 participants.

Environmental challenges

Design, market and build environment-friendly property development programmes

In the residential property segment, Bouygues Immobilier shows its commitment to the environment through H&E certification. Since 1 July 2007, it has sought H&E certification for all of its houses and apartment buildings in France.

In the commercial property segment, all its major projects meet High Environmental Quality (HQE) criteria for commercial buildings. In 2007, flagship projects were launched in the 160,000-sq.-metre future Seine Ouest business district in Issy-les-Moulineaux, just outside Paris. Intended to showcase the company's commitment to innovation in High Environmental Quality, they are:

- the Mozart Tower, awarded first prize in the "High-Rise Buildings" category at the 2007 EcoBuilding Performance exhibition, with Eqwater to the south and Farman to the north;
- Galeo, Bouygues Immobilier's future headquarters with an ambitious HQE profile including very low CO_2 emissions of 15kg/sq. metre/year;
- EOS Generali, the future headquarters of Microsoft France and Europe.

Bouygues Immobilier has sought to extend this innovative approach with Green Office, the first large-scale positive-energy building, in Meudon. A real incubator for new technologies, the 23,000-sq.-metre building is designed to minimise energy consumption (61kWh/sq. metre/year) and will produce more energy than it consumes, thanks in particular to 5,000 sq. metres of solar panels and a biomass combined heat and power system.

Bouygues Immobilier will also help to implement a thermal assessment and rehabilitation system for old buildings, including an energy analysis scanner.

Control and limit the environmental impacts of our activity

Systematic procedures have been introduced to manage operating risks like pollution and asbestos and to forestall local risks (including through surveys) and geotechnical problems. Risk management will be further refined by drafting a risk map, to be finalised in 2008. The company conducts thorough soil surveys of sites before buying them in order to trace their history. If necessary, sites are cleaned up.

As a responsible developer, Bouygues Immobilier asks its partners to limit the nuisance and environmental impacts of work sites in matters such as respect for local residents, site access, noise, and waste sorting and management.

When designing its projects, Bouygues Immobilier is careful to ensure that the architecture blends into the urban or natural environment, to respect biodiversity and to include green spaces, as can be seen from the Bel'Orée, Orée des Elfes and Ponts Jumeaux residential projects and the Woodpark and Bouygues Telecom Technical Centre commercial projects.

A responsible purchasing policy has been introduced in order to ensure that the most environment-

Testimonial

Antoine Desbarrières,
president of Cerqual*

"Bouygues Immobilier has made a pioneering move. It is the first property developer to commit to H&E certification for all its residential programmes. Certification means that it can clearly be considered an environmentally-friendly developer. Likewise, best practice on certified projects will help us to enhance our criteria."

(*) Cerqual is a certification body (NF Logement – HQE; "Habitat & Environment").

The new Maisons Elîka range

friendly products and construction materials are chosen. A pilot referencing scheme for floor coverings (tiles, parquet, etc.) has been introduced, in line with the H&E and sustainable development policies, and is gradually being extended to other purchases. From 2008, products will be chosen for their environmental and health features after a full analysis of their entire lifecycle.

Inform customers and motivate staff

From the time they first enter the sales office to handover, customers are told about the advantages of environment-friendly housing and what they can do as owners to help preserve the environment.

In order to meet the requirements of H&E certification, construction managers responsible for design and construction have been suitably trained, with the participation of Cerqual. Field staff (salespeople, project managers, etc.) use online learning software developed with Greenaffair. 24,638 hits a month on average have been recorded on the relevant part of the website.

Awareness of sustainable development is raised among staff through a "What you can do" intranet site, and a forum is available where employees can say what they think. In a survey of practical measures in the workplace, staff came up with 723 suggestions, such as using videoconferencing more widely and making it easier to print on both sides of paper.

Social/HR challenges

Develop social housing

In 2007, Maisons Elîka, a new H&E-certified residential line, launched a first programme of 74 houses in Verdun, in eastern France. The line, which has a land bank of 1,000 houses, is intended to make it easier for first-time buyers earning less than €3,000 net per month to acquire a home.

Bouygues Immobilier incorporates a proportion of social housing into its programmes. 2,053 rental units were sold to registered social landlords in 2007, representing over 18% of housing reservations.

Promote best practice among partners

A decision has been taken to include a Corporate Social Responsibility clause in framework agreements, amongst other things requiring the partner to respect the environment throughout the project's lifecycle.

Having signed up to the UN Global Compact, Bouygues Immobilier includes these principles in its framework agreements with contractors and suppliers for its residential development projects in France.

Favour diversity and equal opportunity within the company

Gender parity is broadly respected within the company. In 2007, 51% of recruits were female and 49% male. From 2008, the company will continue to pay employees on paternity leave.

The company has done more to attract the young, recruiting 55 young people on work/study contracts in 2007 compared with 15 in 2006.

Older employees (5% of the workforce are aged over 55) are asked to mentor new recruits with the aim of passing on the company's values and preserving the corporate culture. They support the new employee for an 18-month period.

Steps have been taken to encourage the employment of disabled people, and in particular to elicit applications from the disabled. Specialist organisations have been asked to identify, recruit and train potential employees. Disabled employees are given support to ensure that they can do their job (e.g. adaptation of workstations), to integrate them into the company and to track their career path. A disability survey will be carried out in 2008 to review the existing situation and draw up an action plan to encourage the employment of disabled people at Bouygues Immobilier.

Motivate and secure the loyalty of staff

In 2007, 80% of training was delivered in the company's six main business areas (sales, programmes, technical affairs, development, secretarial and customer service). The emphasis was on the requirements

Testimonial

Ion Enescu,

associate architect (Atelier 2M) on the Green Office project

"As well as the professional satisfaction of being involved in a truly exciting project, I feel as though I am helping to break new ground. Achieving positive energy in a commercial building on this scale is an ambitious goal. The project is the result of symbiosis between technical prowess and architectural design, between the determination to achieve a particular outcome and a new philosophy. It represents a new way of thinking about buildings, one which is more human and more rooted in the environment."

of H&E certification, including the training of all the company's 500 construction managers. A "sales school" was introduced to train all sales staff in sales techniques and the tax advantages of buying property.

Over 31,000 hours of training were dispensed, representing 3.7% of the total payroll, and three-quarters of the workforce attended at least one training course.

In 2007, the annual performance and development review between employees and their line manager was split into two parts: a skills review, to define the training plan, and a performance review, to appraise the past year and set targets for the next. Managers were given training in how to conduct skills reviews to help them better identify potential and get the most out of their staff.

Attractive benefits are offered to staff in France and Europe, together with a pay system designed to give them a stake in the company's success. In 2007, 84% of employees subscribed to the Bouygues Partage employee share ownership scheme and 74% to Bouygues Confiance 4, underlining their confidence in and loyalty to the company and the Bouygues group.

In 2007, following the in-house "Well-being and Performance" survey carried out in late 2006 to measure employee satisfaction, plans for action were drawn up in three main areas: the work/life balance, management practices ("Respect & Performance" training for managers) and pay (personalised review). They will be implemented in 2008.

519 new employees were hired in 2007, meaning that the workforce has grown by over 50% in two years.

Actively sponsor architectural and cultural initiatives

Bouygues Immobilier has signed a sponsorship agreement with the Cité de l'Architecture et du Patrimoine, of which it is a founding partner. Since September 2007, the Cité has promoted France's architectural heritage and contemporary architecture to the general public. A partner of the New Albums for Young Architects (NAJA) initiative in cooperation with the French Ministry of Culture, Bouygues Immobilier works with a number of talented young architects, planners and landscape designers.

The company has also supported various cultural events, including an exhibition of work by the architect Christian de Portzamparc entitled "Rêver la Ville" and the Saint-Denis Festival, and restoration work on the church of Saint-Louis des Français in Lisbon. It spent over €724,000 on sponsorship in 2007.

Training for three out of four employees in 2007

Outlook for 2008

Bouygues Immobilier's sales in 2006 and 2007 have given the company excellent visibility. It intends to consolidate its position as a leading property developer in France and a key player in Europe. Its strategy for 2008 is as follows:

- **Residential:** continue to increase market share on a French market expected to contract slightly.
- **Commercial:** consolidate a high level of activity while keeping risks under control.
- **Europe:** pursue profitable growth.
- **Sustainable development:** introduce Habitat & Environment certification for all residential developments in France and Very High Environmental Quality certification for major office projects, and launch a second positive-energy building.
- **Maintain a high level of profitability** and a robust financial structure. The 2008 sales target is up 40% following sustained and vigorous business activity in 2006 and 2007.

The world's leading roadbuilder

Higher sales, a sharp rise in net profit and substantial investment

Colas operates in all segments of roadbuilding and transport infrastructure. It also spans the full range of upstream industrial activities, from quarries, asphalt and ready-mix concrete plants to emulsion and binder plants and bitumen storage, processing and distribution.

Embrun bypass, south of France

2007 sales	Operating margin	Net profit att. to the Group	Order book	Employees	2008 sales target
€11,673m (+9%)	5.4% (+0.5 point)	€474m (+20%)	€6.6bn (+19%)	67,800	€12.5bn (+7%)

Highlights

Vigorous external growth

- Acquisition of Spie Rail.
- Subsidiary in Croatia.
- Acquisition of regional firms in France.

Major contracts

- M6 motorway in Hungary, as part of a PPP consortium.
- Area 10 (UK).

Some completed projects

Thonon bypass; Beauvais bypass; T2G aprons at Roissy-CDG airport; tramways in Clermont-Ferrand and Le Mans; Bourg-Chambéry railway line; Fos-Manosque pipeline; Csepel wastewater treatment plant in Hungary; D1 motorway in Slovakia; highway 185 in Quebec (Canada); Tamarind Road (Reunion Island).

Sustainable development

5.5 million hours worked without accident on the Fort-Dauphin mine project in Madagascar.

Present throughout the roadbuilding and transport infrastructure sector

In 2007, all of Colas' business activities again enjoyed buoyant markets where needs for infrastructure upgrading and maintenance remained high. Amplified by rising raw material costs, consolidated sales increased by 9% to €11.7 billion, spurred by good overall weather conditions and an order book that grew throughout the year. The group's subsidiaries all performed as well as if not better than the previous year.

In France, the group's **road** business is highly diversified. Each year, Colas completes around 55,000 projects involving the construction and maintenance of transport infrastructure (motorways, national and local road networks, city streets, airports, seaports, platforms for railways and reserved-lane public transport). They also include small-scale civil engineering and drainage works, often linked to road projects.

Upstream, the group is an industrial producer of aggregates and roadbuilding materials such as asphalt mixes, binders, emulsions and ready-mix concrete.

It also has conventional building operations in the Paris region and a significant civil engineering and building activity on Reunion Island.

The group has four other complementary activities. **Road safety and signalling** comprises the manufacture, installation and maintenance of safety equipment, road marking, lights and traffic/access management systems. The **pipes, mains and drilling** sector includes the laying and maintenance of large- and small-diameter pipes for transporting fluids, especially oil and gas. **Waterproofing** comprises the production and sale of waterproofing

membranes in France and on international markets, the waterproofing of roadways and the waterproofing, cladding and roofing of buildings. The **railway** sector comprises the construction, renewal and maintenance of rail networks, including conventional track, high-speed lines, tramways and subway lines (infrastructure, overhead lines, electrification, signals), management and engineering on major turnkey projects, and a railway freight business.

On road construction and civil engineering markets, Colas subsidiaries are in competition with Eurovia (Vinci group), Eiffage TP (Eiffage group) and 1,600 small, medium and large local and regional firms. Cement makers like Lafarge, Cemex and Ciments Français are competitors on the aggregate market.

Subsidiaries operating in complementry activities compete with the specialist units of French and international construction firms, plus a host of regional, national and foreign specialist firms of all sizes.

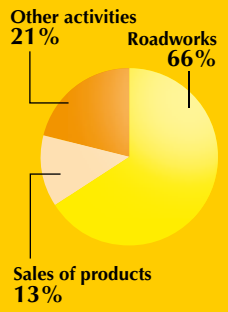
Colas leads the field in roadbuilding and railways and is in second place for the production of aggregates and waterproofing. A ranking for other activities would be meaningless.

On international markets, Colas' road business is very similar to its activity in France. The group's complementary activities outside France are pipes, mains

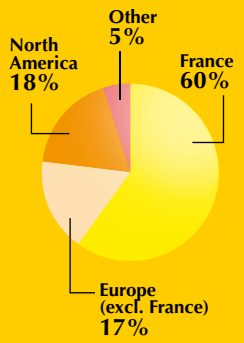
Sales € billion

Net profit € million

Sales by segment



Sales by region



Cash flow € million

Capital expenditure € million

CONSOLIDATED BALANCE SHEET AT 31 DECEMBER

ASSETS (€ million)	2006	2007
• Property, plant and equipment and intangible assets	1,888	2,250
• Goodwill	222	447
• Non-current financial assets and taxes	503	588
NON-CURRENT ASSETS	2,613	3,285
• Current assets	3,446	4,017
• Cash and equivalents	704	673
• Financial instruments used to hedge net debt	4	3
CURRENT ASSETS	4,154	4,693
TOTAL ASSETS	6,767	7,978

LIABILITIES AND SHAREHOLDERS' EQUITY (€ million)	2006	2007
• Shareholders' equity att. to the Group	1,687	1,964
• Minority interests	27	41
SHAREHOLDERS' EQUITY	1,714	2,005
• Non-current debt	137	149
• Non-current provisions	523	590
• Other non-current liabilities	60	74
NON-CURRENT LIABILITIES	720	813
• Current debt	32	45
• Current liabilities	4,171	4,980
• Overdrafts and short-term bank borrowings	126	129
• Financial instruments used to hedge net debt	4	6
CURRENT LIABILITIES	4,333	5,160
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	6,767	7,978
Net cash surplus	409	347

CONDENSED INCOME STATEMENT

(€ million)	2006	2007
SALES	10,716	11,673
• Net depreciation and amortisation expense	(368)	(412)
• Net charges to provisions and impairment losses	(135)	(150)
• Other income and expenses	9,689	10,473
CURRENT OPERATING PROFIT	524	638
• Other operating income and expenses	4	(3)
OPERATING PROFIT	528	635
• Cost of net debt	(15)	(11)
• Other financial income and expenses	3	4
• Income tax expense	(168)	(209)
• Share of profits and losses of associates	54	62
NET PROFIT FROM CONTINUING OPERATIONS	402	481
• Net profit of discontinued and held-for-sale operations	-	-
NET PROFIT	402	481
• Minority interests	6	7
CONSOLIDATED NET PROFIT att. to the Group	396	474

Transporting aggregates by train

and drilling, civil engineering and railways in Europe, and building and civil engineering in the Indian Ocean. In Asia, Colas is expanding into the storage, transformation and trade of oil products, especially bitumen, mostly for roads.

Colas has prime positions in the roadbuilding sector in all the countries or regions where it operates. In each country, it is in competition with local firms or subsidiaries of large international firms.

The roads business is highly seasonal, both in France and elsewhere, although the seasonal influence is more marked in some countries than others.

Further significant sales growth in 2007

France

Consolidated sales in France rose by 11% on 2006 to €7 billion.

Mainland France

On a steadily growing roads market, Colas and its 16 regional road construction subsidiaries reported an 8% rise in sales to €5 billion.

Business thrived, aided by high levels of spending by local authorities, the private sector and motorway and airport operators. Price pressures remained despite the level of demand, so better results were due to higher volumes, productivity improvements and the ongoing upgrading of industrial plant and equipment. Some acquisitions were made in the materials production (aggregates, concrete) and roadbuilding segments.

Safety and signalling subsidiaries flourished in 2007, reporting a 7% increase in sales like-on-like.

Sales in the **pipes, mains and drilling** sector jumped 25% compared with 2006, driven by particularly strong demand in the energy and water sectors.

Waterproofing subsidiaries reported a 12% like-on-like increase in sales in a context of strong demand from the building sector and a steady rise in raw material prices (bitumen, insulation, steel).

Sales in the **railway** sector rose by 50% in 2007, mostly due to the acquisition in May of Spie Rail, now renamed Colas Rail. The new rail freight business – transporting aggregates – got off to a successful start.

French overseas departments

Sales on Reunion Island rose sharply, driven by public- and private-sector demand for new buildings, especially housing, and major civil engineering projects. In Guadeloupe and Martinique, sales

were boosted by local authority investment in transport infrastructure. Sales were also up in French Guiana. Total sales in the French overseas departments rose by 16%.

International markets and French overseas territories

Sales on international markets and in French overseas territories amounted to €4.7 billion, a 6% increase on 2006 (5% like-on-like and at comparable exchange rates).

Europe

Sales in Europe (excluding France) rose by 5.5% on 2006 to just under €2 billion. A temporary dip in business in Hungary was offset by rises elsewhere and external growth.

In **Belgium,** sales rose again. In **Denmark,** sales figures reflected a recent refocusing of activity. In the **UK,** Colas Ltd increased its sales in a contracting market. Seco-Rail Ltd, in a venture with Amey, was selected by Network Rail to renew track in the west of England. In **Ireland,** sales were boosted by the new bitumen storage and distribution business acquired in 2006. In **Hungary,** widespread budget cuts reduced the number of road projects and subsidiaries there reported a significant decline in sales. However, the trend will be reversed in 2008 as a result of a PPP contract to build a 78-kilometre section of the M6-M60 motorway. In **Slovakia,** work continued on large-scale road and motorway projects, including major engineering structures. In **Romania,** subsidiaries have had to adapt to strong growth on a flourishing market, especially around Bucharest. A new foothold was gained in Central Europe with the acquisition of Cesta Varazdin, a company with operations in **Croatia** and **Slovenia.**

Resurfacing the A71 motorway

North America

Sales amounted to €2.1 billion, a 6.9% increase like-on-like and at comparable exchange rates, making 2007 an excellent year for Colas in North America.

Subsidiaries in the **United States** posted broadly satisfactory business figures despite an unfavourable economic and financial environment in the second half of the year. With strict controls over operating costs, a selective bidding strategy and a high level of public-sector investment sustained by long-term federal financing, subsidiaries were able to report better results.

Sales in **Canada** rose sharply as the economy flourished nationwide, especially in oil-rich Alberta (bitumen shale) and British Columbia. Acquisitions were made in Quebec and British Columbia.

Rest of the world

In **Morocco,** all subsidiaries reported higher sales in 2007.

Sales in the Indian Ocean continued to grow, boosted by major roadbuilding and mining projects under way in **Madagascar.**

In **Asia,** Colas operates in seven countries and has a growing business focused on the production, distribution and sale of bitumen products, despite fluctuating raw material prices and irregular sources of supply. Over 1 million tonnes of bituminous binders were distributed from ten depots, shipped by seven bitumen carriers. The group continued to expand these activities.

Demolishing high-rise social housing in Trappes (France)

In **Venezuela,** construction work was completed on lines 2 and 3 of the Caracas underground system. In **Algeria,** work started on the renewal of track between Bejaia and Beni Mansour.

Refurbishing pavement in Banff, Alberta, Canada

All in all, over 115,000 projects were completed in over 40 countries in 2007, including the following examples.

In France: construction and maintenance of motorways (sections of the A8, A25, A26, A28, A71 and A86) and roads (Beauvais bypass, Thonon-les-Bains bypass), construction of aprons and parking zones for the future T2G terminal at Roissy-CDG airport, roadworks for the Clermont-Ferrand and Le Mans tramways, the laying of a 75-kilometre pipeline between Fos-sur-Mer and Manosque, re-roofing of the Maritime Museum in La Rochelle with the use of photovoltaic cells, construction of the Tamarind Road on Reunion Island and of the Apatou–Saint-Laurent road in French Guiana.

On international markets: in Hungary, construction of a wastewater treatment plant in Csepel; in the Czech Republic, construction of a section of the D47 motorway; in Slovakia, construction of an 8-kilometre section of the D1 motorway; in Romania, rehabilitation of 150 kilometres of roadway on Route DN1 and Route DN17; in the United States, renovation of a section of Interstate 275 in Ohio; in Canada, resurfacing of an 18-kilometre section of the Haines Highway in Yukon; in Morocco, construction of platforms for the new port of Tangiers; in Madagascar, infrastructure work for the Fort-Dauphin and Ambatovy mining projects.

The Le Mans tramway (France)

Materials

Colas continued its policy of expanding the production and sale of construction materials, especially aggregates. Total output in 2007 amounted to 117 million tonnes, an increase of 4%, from over 620 quarries and gravel pits spanning the entire scope of its operations. The group either directly owns or has rights to reserves of aggregates totalling 2.8 billion tonnes, equivalent to roughly 24 years' production.

Research and development

Research has been a strategic priority for Colas for many years. With a portfolio of 151 patents for products used in France and around the world, the group continues to pioneer new road techniques suited to the different needs of an ever-changing global market.

Colas spent €70 million on R&D in 2007, including 60% in France (according to the OECD definition, including organised research, technical laboratory activities, IT and design offices).

The aim of Colas' R&D policy is to anticipate and respond to the needs of public or private transport infrastructure clients, users and local residents in terms of quality, safety, environmental protection and cost. It also seeks to improve existing technologies, design new products and extend the range of services on offer.

Colas has an extensive international network of in-house technical staff, expanding continuously as new companies join the group. A driver of innovation, the network has close links with operational

divisions and teams in the field.

At its heart, the Campus for Science and Techniques (CST) in Magny-les-Hameaux, to the west of Paris, is the road industry's biggest private research centre and spearheads the group's innovation policy.

Some 50 or so decentralised laboratories and about 100 engineering consultancies work in liaison with the Campus in France and in other countries, contributing to the group's research effort and providing site teams with technical support adapted to the local context.

In all, about 1,900 men and women work in the Colas technical network (45% in mainland France), including 1,000 people in the group's laboratories and 900 in its engineering consultancies.

Operating risks

Colas is not greatly exposed to any particular major risks, given the nature of its businesses, the distribution of its profit centres and the large number of projects carried out each year. Colas constantly adapts and improves its risk management procedures and includes risk management in its training policy.

Building a section of the M0 motorway in Hungary

Colas takes particular care to identify and prevent risks by monitoring incidents and analysing their causes. Risk management forms an integral part of the management systems used by subsidiaries, since that is the level at which risks can best be identified, prevented, controlled and managed. Reporting tools help to identify the various risks and centralise feedback so that a risk management policy can be developed and appropriate preventive action taken.

Manufacturing activities in France must comply with regulations governing classified industrial facilities and quarries. Commitments to rehabilitate quarries are an integral part of operating licences. The same principle applies in other countries. Provisions for such commitments are made in the financial statements and reviewed at regular intervals.

Colas is sensitive to variations in the supply and cost of mostly petroleum-based raw materials in its road business (bitumen, fuel, oils, etc.) and other raw materials like steel and aluminium used in its safety and signalling and waterproofing businesses. A large number of road construction contracts and the commitments they involve are of short duration. Wherever possible, contracts contain price review clauses which provide protection from or limit the impact of price rises.

In certain circumstances, longer-term purchasing contracts or hedges may be negotiated on a case-by-case basis.

Technical risks are limited because of the number of contracts carried out each year. Patents and technologies do not carry any risks of obsolescence and Colas' R&D policy allows for continual renewal and modernisation.

Sustainable development indicators

	Our aim	2007 key figures	Action plan	2008 objectives	Progress
Financial and business challenges	Promote and develop public-private partnerships (PPP) wherever such arrangements are favourable to clients in the long term.	• **7** months between the call for tenders and the start of work on the M6 motorway project in Hungary won in 2007.	• Creation of cross-cutting teams to work on these projects.		
Social/HR challenges	Give staff first-aid training: employees with first-aid training are more attentive to occupational health and safety.	• **24%** of the workforce worldwide had a first-aid qualification in 2007.	• Monitoring based on robust indicators.	• Ensure that one-third of the Colas workforce worldwide has a workplace first-aid certificate by the end of 2008.	
	Promote local dialogue and the acceptance of production sites through consultation and dialogue with local communities and residents.	• **17%** of sales from Colas' global industrial output covered by a local dialogue structure.	• Action plans based on robust indicators. • Awareness-raising in subsidiaries and on the ground, taking local circumstances into account.	• 50% of sales from Colas global industrial output covered by a local dialogue structure by 2010.	
Environmental challenges	Increase the average rate of recycled asphalt mix in Colas' total production in order to save aggregates, bitumen and energy.	• Average rate of recycling of **9%** in 2007, representing a saving of 175,000 tonnes of bitumen.	• Upgrading asphalt plants when needed, organisation of the recovery of planed materials (recycled asphalt paving, RAP). • Monitoring based on robust indicators.	• Worldwide RAP rate of 10% by 2010.	
	In most countries, propose technical alternatives that lead to savings in greenhouse gas emissions.	• **66%** of greenhouse gas emissions saved through a technical alternative for the A380 runway at Toulouse.	• Deployment of EcologicieL, an extranet software tool that uses lifecycle analysis to calculate a project's energy consumption and greenhouse gas emissions during the works phase (before and during projects).	• Complete the deployment of EcologicieL in all road construction subsidiaries in France.	

Measures to be introduced in 2008 · Measures introduced in 2007 · Ongoing measures · Measures completed in 2007

Technology transfer: applying Ruflex on the RN2 in Madagascar

Our policy

Colas' commitment to sustainable development stems from the very nature of its core business – roads. Criticised for their association with the oil industry, the automobile industry and trucking, roads nevertheless have a key role to play in sustainable development, in areas such as freedom of movement, trade, cultural exchanges, and political and administrative efficiency. Roads also offer an essential network for all other modes of transport and recycling streams for many industries, as well as social advancement for those who work in road-related trades.

The same applies to the group's other infrastructure construction activities. Positioned at the heart of economic and social life, Colas therefore meets a great many of society's expectations. Its activities should not be criticised per se, but they must be conducted in compliance with the requirements of sustainable development.

Three strategic challenges

Renew and enhance human resources in the group

Recruitment

In France as in many other countries, Colas is one of the companies that recruits the most people.

Colas hosted over 2,600 interns in 2007, 600 of them outside mainland France, and over 600 young people on work/study contracts lasting between three and twelve months. Pay includes both a fixed and a variable component and is higher than customary market rates.

Civil engineering, especially on the operational side, is still a predominantly male business, although the proportion of women is gradually increasing.

Colas is involved in measures to help the long-term unemployed. In France, such actions target young people with social and schooling difficulties and include cooperation with training and placement bodies, the judicial youth protection service and the French Defence Ministry's "Second Chance" scheme for volunteers aged 18 to 21. Similar actions are taken outside France, including the hiring of older employees in Belgium and ex-offenders in the UK and the US.

Efforts to raise awareness of disability and to recruit and accommodate disabled employees were stepped up in 2007. As part of the drive, a short film entitled *Determinations* was made.

Training

Investment in training is a priority for Colas, which has a substantial training budget (4% of the total payroll in France). Training plans cover the entire workforce, from site workers to executives. Training is provided both in subsidiaries and through Colas Campus, which hosted nearly 4,300 employees on 390 training courses in 2007.

In France, particular importance is placed on apprenticeships and work/study training for young people. Almost 600 such contracts were concluded in 2007 and 800 tutors were specially trained to provide supervision and support.

Pay

Pay and pay scales depend on the achievement of personal targets and the level of responsibility. A performance-related element is the rule. The group's good results in 2007 meant that pay could be increased by more than the rate of inflation, a factor which is amplified if other elements of total remuneration are included, such as employee profit-sharing, corporate savings plans, supplementary health insurance (a new agreement for France was concluded in 2007) and benefit schemes that are among the most generous in the industry.

Societal acceptance of production sites

Colas has a vertical integration strategy for the production of construction materials. Society's acceptance of the sites where they are produced is an increasingly

sensitive issue. Acceptance needs to be secured by an ambitious policy of excellence, involving the following measures:

- going beyond simple regulatory compliance in order to reduce or eliminate environmental impacts, including a systematic environmental certification policy;
- implementing in-house methodological tools and indicators to help profit centres improve, monitor and control their performance;
- creating an indicator to monitor community relations to encourage production facilities to establish structured dialogue with neighbouring residents, local authorities and government agencies.

Business ethics

In-house

Under the Bouygues group's Code of Ethics, the Chairman and CEO systematically takes advantage of regular business meetings with senior executives to remind them of the need to comply with principles of ethics and integrity. Profit centre managers and their teams are given training under a programme designed to cover all the group's subsidiaries.

With independent partners

Within the roads business, Association Qualité Pesage (AQP), a French quality organisation, has the task of ensuring that asphalt plants are fitted with tamper-proof weighing equipment that enables tracking of deliveries. For nearly ten years now, Colas has lobbied for measures of this type to be imposed on all asphalt plants. 99% of its stationary plants in France are members of the AQP.

In France, Colas was behind the launch by a major international firm of an auction market for pre-owned construction equipment, under the supervision of Tracfin, the French money-laundering watchdog. Such sales brought in €11.5 million in 2007.

Testimonial

Philippe Fontana,
director of the film *Determinations*

"I, you, we, the able-bodied, tend to complain about disabilities we do not have. Whereas disabled people do everything they can to make others forget about their disability (…). A company like Colas, which endeavours to keep employee accident victims in jobs and to integrate disabled people from outside into its workforce, is a healthy company. It demonstrates solidarity and humanity (…). I truly want this film to change the way people look at disabled people in the workplace."

Five action programmes

Recycling

Recycling is a fundamental priority, since Colas is a major producer and user of construction materials. Recycling increased substantially in 2007 to over 10 million tonnes of materials, equivalent to the output of 32 quarries.

Colas' production incorporates an average 9% of reclaimed asphalt pavement (RAP), representing a saving of almost 3.5 million tonnes and about 175,000 tonnes of bitumen, equivalent to the output of a medium-sized refinery. In France, at the Grenelle Environment Forum, Colas undertook to triple its RAP rate by 2010.

Photovoltaic roofing for the Maritime Museum in La Rochelle (France)

Energy

Energy consumption

Work has been under way since 2005 to define relevant indicators in a field made more complex by a wide range of different activities. For identical sales, two projects can have a different energy content depending on the proportion of subcontracted work, the nature of the work, the distance from sources of materials, etc. A number of actions have already been taken:

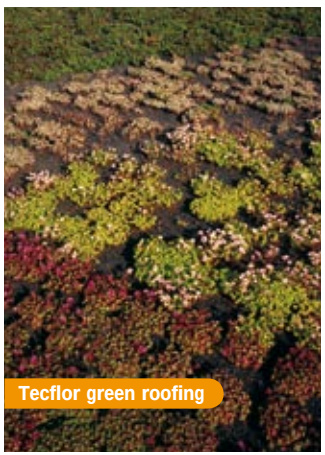
- strengthening ISO 14001 type management systems and introducing a specific energy-saving programme for each industrial site;
- public works equipment purchasing criteria that give priority to energy efficiency;
- monitoring of energy consumption of each type of vehicle, brand and operator in order to guide investment choices, improve maintenance and iden-

tify training needs (a smoother driving style may generate fuel savings of 10 to 15%);

- launching comprehensive assessment programmes and drawing up specific action plans, as at some pilot subsidiaries in France, the US, Denmark and Switzerland.

Energy content of products and techniques

- Neophalte BT is a mastic asphalt mix produced at about 100°C lower than the usual temperatures.
- Environmentally-friendly, Energy-Efficient or 3E asphalt mix is manufactured at temperatures 40 to 50°C lower than conventional mixes, representing an energy saving of 10 to 20%.


Tecflor green roofing

- Vegeroute is a range that replaces oil-based or petrochemical components with plant-based substitutes while also reducing temperatures and the quantities required. The Vegeflux fluxing agent has the added advantage of preventing evaporation of volatile organic compounds; the Vegecol binder won the Maurice Milne award from the PIARC and a national innovation award in the UK; Ostrea, a road-marking product, also won several awards.
- EcologicieL is a software package that uses lifecycle analysis to calculate alternative technical solutions designed to reduce energy content and greenhouse gas emissions.
- Innovative roofing solutions from Smac: 150,000 sq. metres of Tecflor green roofing and 5,000 sq. metres of photovoltaic roofing were installed in 2007.

Safety

Prevent industrial accidents

Priority is given to individual training (50% of courses and almost one-third of training hours), with 1,000 accident prevention coordinators divided equally between France and international operations. Measures have been taken to make equipment safer, such as front-view mirrors on trucks, insulated grips to minimise the risk of electrocution when working on underground electrical circuits, etc. Over 14,000 employees had workplace first-aid certificates at the end of 2007, including over 8,500 in France, 15% more than in the previous year.

The Pérasso quarry in Marseille, a site integrated into the city

A large number of subsidiaries and profit centres have been awarded prizes by external organisations and institutions. In Madagascar, 5.5 million hours were worked without accident on a major project involving over 600 workers.

Road safety

Colas signed up to the European Road Safety Charter in 2005. The long-standing prevention policy in France has been extended to the whole of Europe. Measures already tried and tested in France (where Colas has 500 road safety officers and 23,100 employees have been e-trained in safe driving techniques), the UK, Belgium, Switzerland, Poland and the Indian Ocean are gradually being introduced elsewhere, including the establishment of a steering committee and road safety programmes. In late 2007, Colas added an eco-driving module to its training programme.

Products

The Colgrip surface reduces braking distances by 40%. A three-year assessment of the Colmat HA surface by the French Highway Association concluded in 2007 that “not a single vehicle had skidded off the road on the sections that were treated with Colmat HA”.

Redevelopment of the Place Royale in Nantes (France)

Chemical risk

As well as complying with the relevant regulations, Colas aims to use methodological tools to control chemical risk. For example, almost half of Somaro's paint production process is covered by an environmental labelling scheme (7,000 tonnes out of 15,000, with 47 products bearing the NF Environnement label). Priority actions are as follows:

- **solvents:** scrapping the use of solvents in laboratories; scrapping the use of solvent-based degreasing fountains; scrapping the use of toluene in paint (the Indasco and Prosign ranges are all available in a water-borne, solvent-free option);
- **pigments:** scrapping the use of heavy metal-based pigments in paints (target achieved); research into a formulation in non-powder form;
- **non-stick products:** scrapping the use of fuel oil by asphalt mix application teams and replacing it with vegetable-oil methyl esters;
- **bitumen vapours:** encouraging studies by independent organisations at European level.

In France, the information available to date means that this risk can be classified as "low and sufficiently reduced" within the meaning of occupational health and safety legislation and in line with workplace healthcare guidelines, which rule out the need for close medical supervision.

Testimonial

Alain Jouan,
deputy mayor of Trégueux (France)
on renewing the licence to operate the Croix-Gibat quarry

"The local council was keen to keep jobs and a business that meets clear local needs for materials, but not at any environmental or social price (…). The various obstacles were overcome as much by dialogue and the shared determination of elected officials and Colas representatives to find a solution as by Colas' responses and written undertakings (…). This year, we won the Sustainable Development Trophy organised by the Brittany region and ADEME, the French environment and energy management agency, with an entry on the Croix-Gibat quarry which entirely corresponded to the three pillars concept. In the current context where society systematically rejects any project liable to cause a nuisance, extending the operating licence for the highly sensitive Croix-Gibat site was no small challenge."

North-South dialogue: actions in Morocco and Madagascar

Colas has been operating in Morocco and Madagascar for over 50 years. Its actions contribute to growth, economic, social and cultural development, and environmental protection.

- **Morocco:** ongoing partnerships with a clothing bank and Insaf, an organisation to help abandoned women and their children; provision of equipment to a Moroccan charity that helps the sight-impaired; financing of the construction of two daycare centres in two villages in the south of the country; introduction of a waste stream for elimination of used oils; training centre for road construction industry technicians.
- **Madagascar:** staff involvement in initiatives in local schools and in the training of Malagasy site workers, technicians and managers;
  - transformation of workplace healthcare, including the in-

troduction nine years ago of a medical unit with eight full-time doctors which also has an outreach mission among village populations through dispensaries (55,000 patients treated in 2007) and campaigns against malaria, diarrhoea and AIDS (in 2007 AIDS awareness-raising for over 2,000 staff, distribution of 40,000 condoms, distribution of 4.5 million litres of drinking water);
- campaign to encourage a halt to charcoal burning and the planting or transplanting of over 13,000 trees;
- introduction of a waste stream for eliminating industrial waste such as used oils.

Comparable actions have been taken in similar countries where Colas also has operations, like Gabon, Benin, Djibouti and South Africa.

Dialogue with civil society

Involvement in community life

In France, involvement in community life mainly takes the form of cultural patronage (about 100 initiatives), sports (300 teams) and humanitarian and educational good causes (about 100 projects). Colas devotes around €2 million to corporate sponsorship. In 2007, it continued its partnership agreement with Assia El Hannouni, a disabled athlete and world sprint champion who won four gold medals at the Athens Paralympics in 2004. Actions in other countries are more varied: the group is involved in about 400 actions at a cost of more than €500,000. They include support for about 100 educational and humanitarian projects with NGOs, 60 or so cultural initiatives and over 100 sporting actions.

Workplace healthcare in Madagascar

Encourage the exchange of ideas

This policy covers three main areas: the arts, through the Colas Foundation, which brings modern art into the workplace; humanities, social sciences, economics and political science through the Cercle Colas, which regularly invites academics and prominent personalities to speak on a key subject of their choice; and the sciences, with the Rencontres Scientifiques Colas, gatherings of top scientists.

Organise and monitor actions

The environment department provides support and monitoring through a network of over 100 environment supervisors in profit centres. It is gradually establishing specific monitoring indicators based on data that can be satisfactorily consolidated and are sufficiently reliable to implement improvement programmes. Formalised management systems and Quality/Safety/Environment (QSE) certification schemes are not an end in themselves but are used to measure and improve performance in the relevant fields.

Vegecol surfacing

Outlook for 2008

Activity

The order book at end-January 2008 amounted to €7 billion, 16% higher than a year previously (22% in France and 10% on international markets). Considerable needs for urban development and infrastructure remain.
Although caution should be exercised due to greater economic and financial uncertainty in early 2008 and the vagaries of the weather, to which Colas' businesses are particularly sensitive, the year is likely to get off to a good start. None of the business indicators at present suggest a slowdown in activity.

Sustainable development

In France, Colas gave a commitment at the Grenelle Environment Forum to study all alternative technical solutions with EcologicieL software in 2008. Work will also continue on adapting the software for use in other countries.

Worldwide, Colas will step up the introduction of local dialogue structures for materials production sites in order to increase societal acceptance of such sites.

A computer-assisted safety training package for all newcomers to a work site will be provided to all profit centres in France, using images, photos, films and personal experiences to describe and illustrate risk situations on-site in each line of business.

No. 1 television group in France

The top 100 French TV audience ratings in 2007

TF1 confirmed its position as France's most-watched TV channel with 30.7% of the audience aged four and over. The channel recorded a clean sweep of the all-channel top 100 TV audience ratings in 2007, a first since Médiamétrie started tracking viewing figures.

2007 sales	Operating margin	Net profit att. to the Group	Employees	2008 sales target
€2,764m (+4%)	11.0% (-0.3 point)	€228m (+15%)*	4,000	€2,830m (+2%)

(*) From continuing operations

Highlights

- In 2007, **60%** of programmes on TF1 were subtitled for the hard-of-hearing.
- **November:** TF1 chosen by the French broadcasting authority (CSA) to show its high-definition programmes on DTT from 2008.
- **July:** acquisition of Dujardin, a board games maker. The new TF1 Games-Dujardin entity is France's leading publisher of board games.
- **June:** conclusion of a partnership agreement with Telecom Italia for content provision and the marketing of advertising space on consumer internet portal aliceadsl.fr.
- **February:** agreement between Eurosport and Yahoo! to create Europe's biggest Web 2.0 sports news site.

Advertising growth

The TF1 group reported a 4% rise in consolidated sales in 2007 to €2,764 million.

In a TV advertising market softened by slower economic growth, net advertising revenue from the TF1 core channel rose by 0.6% to €1,718 million. Revenue from other activities (excluding advertising on the TF1 core channel) increased by 11% to €1,046 million, boosted by solid performances from Teleshopping, French theme channels, TF1 International, TF1 Video and Eurosport International.

Programming costs fell by 3.4% over the year to €1,024 million. In 2006, TF1 aired the Football World Cup at a cost of €114 million. In 2007, it screened the Rugby World Cup at a cost of €50 million.

Current operating profit amounted to €305 million, up 1.5% on 2006, while the operating margin remained stable at 11%.

Net profit from continuing operations rose by 14.6% to €228 million, giving a net margin of 8.2%, up 0.8 of a point. TF1's share of the AB group's profits in 2007 amounted to €8 million for nine months' consolidated sales.

Shareholders' equity at 31 December 2007 amounted to €1,394 million. Net debt stood at €597 million, or 43% of equity, a €379 million increase on 2006 mainly due to the acquisition of a 33.5% stake in AB for €230 million.

French channels

Sales from French channels increased by 3.1% in 2007 to €2,220 million. Current operating profit rose by 2.5% to €252 million, giving an operating margin of 11.4%.

TF1 channel

In an audiovisual environment where viewers have more choice than ever, TF1 maintained its position as France's most-watched TV channel and for the first time recorded a clean sweep of the all-channel top 100 TV audience ratings in 2007 (source: Médiamétrie).

The 2007 ranking included all types of programme. Sport, which accounted for the top five audiences, was dominated by exclusive, one-off events: 18.3 million viewers watched the semi-final of the Rugby World Cup between England and France on Saturday, 13 October 2007. American series continued to be popular and occupied a prime position in the ranking. Films, headed by the French *Tais-Toi!* and US blockbusters *Ice Age* and *The Recruit*, drama, news and light entertainment enabled TF1 to confirm its unique place as France's leading general-interest channel.

Over the year as a whole, TF1 attracted 30.7% of the audience aged four years and over and 34.8% of women under 50.

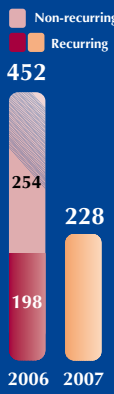
Advertising

The TF1 channel's share of the advertising market amounted to 55% in 2007, up 0.2 of a point, while net advertising revenue rose by 0.6%.

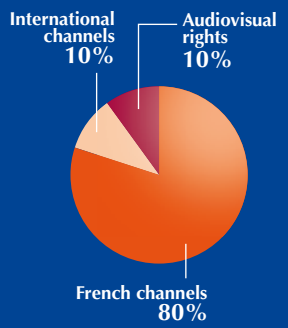
Some of this growth was generated by mass retailers, who have only been

Sales € billion

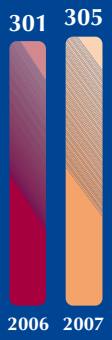
Net profit € million



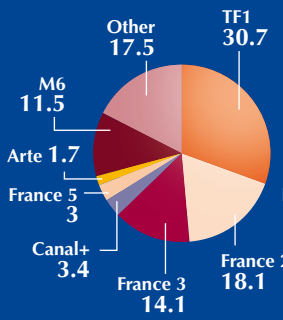
Sales 2007 by segment



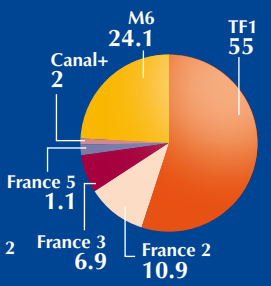
Operating profit € million



Audience share 2007 Individuals aged 4 and over (as a %)



Share of advertising market 2007 (as a %)



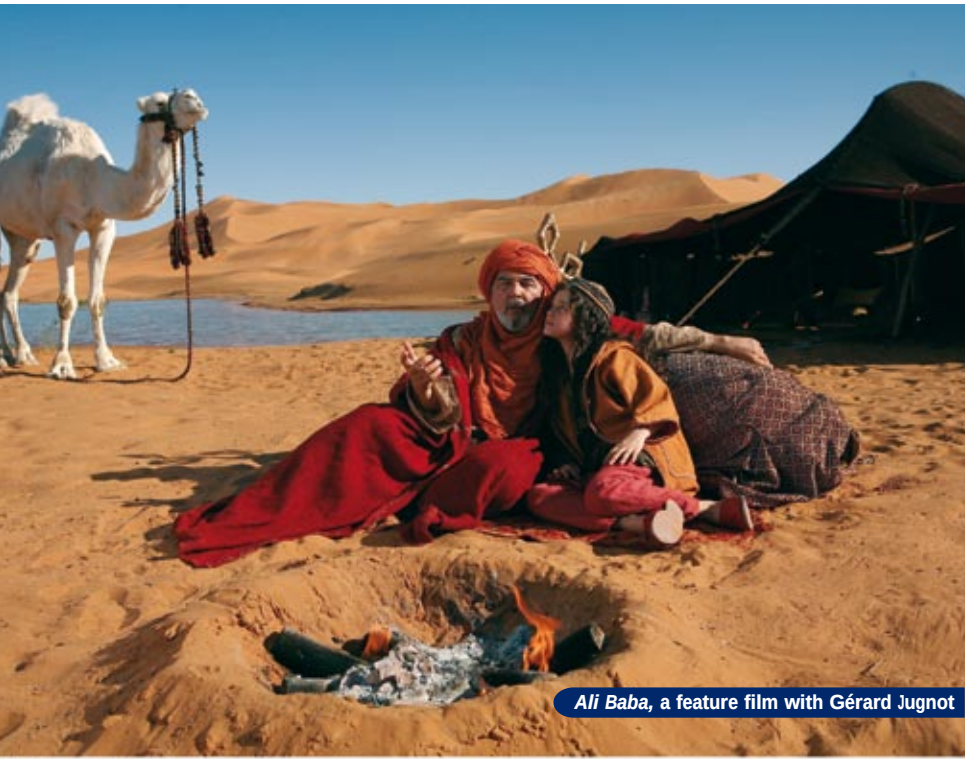
CONSOLIDATED BALANCE SHEET AT 31 DECEMBER

ASSETS (€ million)	2006	2007
• Property, plant and equipment and intangible assets	311	368
• Goodwill	505	510
• Non-current financial assets and taxes	718	966
NON-CURRENT ASSETS	1,532	1,844
• Current assets	1,851	1,768
• Cash and equivalents	275	39
• Financial instruments used to hedge net debt	2	1
CURRENT ASSETS	2,128	1,808
TOTAL ASSETS	3,660	3,652

LIABILITIES AND SHAREHOLDERS' EQUITY (€ million)	2006	2007
• Shareholders' equity att. to the Group	1,358	1,394
• Minority interests	-	-
SHAREHOLDERS' EQUITY	1,358	1,394
• Non-current debt	506	618
• Non-current provisions	34	34
• Other non-current liabilities	-	1
NON-CURRENT LIABILITIES	540	653
• Current debt	147	12
• Current liabilities	1,612	1,586
• Overdrafts and short-term bank borrowings	2	3
• Financial instruments used to hedge net debt	1	4
CURRENT LIABILITIES	1,762	1,605
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	3,660	3,652
Net debt	379	597

CONDENSED INCOME STATEMENT

(€ million)	2006	2007
SALES	2,654	2,764
• Net depreciation and amortisation expense	(85)	(88)
• Net charges to provisions and impairment losses	(26)	(41)
• Other income and expenses	(2,242)	(2,330)
CURRENT OPERATING PROFIT	301	305
• Other operating income and expenses	-	-
OPERATING PROFIT	301	305
• Cost of net debt	(12)	(21)
• Other financial income and expenses	(5)	29
• Income tax expense	(99)	(93)
• Share of profits and losses of associates	13	8
NET PROFIT FROM CONTINUING OPERATIONS	198	228
• Net profit of discontinued and held-for-sale operations	254	-
NET PROFIT	452	228
• Minority interests	-	-
CONSOLIDATED NET PROFIT att. to the Group	452	228



***Ali Baba*, a feature film with Gérard Jugnot**

allowed to advertise on TV in France since January 2007 (source: TNS Media Intelligence). In their first year in the market, they accounted for 5.6% of spending on advertising on TF1, placing them in seventh position in the ranking of advertisers by sector and giving TF1 a market share of 58.6%. Spending patterns in other sectors were less favourable, however. Publishers, facing persistent difficulties in the recorded music business, cut back their advertising expenditure by 24% over the year. Spending in the telecommunications sector also fell by 21%, having benefited in 2006 from the deregulation of directory services and a corresponding flood of TV advertising for new 118 services.

French theme channels

French theme channels generated sales of €189 million in 2007, up 23% on the previous year.

Good viewing figures led to a 25.3% increase in advertising revenue over the year. Revenue from cable, satellite and ADSL operators also rose, mainly as a result of new theme channel distribution agreements.

TMC, the leading theme channel with nationwide coverage, became the seventh most-watched French TV channel, neck-and-neck with Arte. Four of the ten most-watched cable and satellite channels – Eurosport, TV Breizh, TF6 and LCI – belong to the TF1 group. Rising revenue and strict cost controls enabled the theme channels division to significantly improve its operating results, not only breaking even but also generating a €2 million surplus.

TV-related activities

Teleshopping

Sales in 2007 rose by 39% to €153 million, boosted by the acquisition of the 1001 Listes wedding list website in December 2006 and the launch of Dogan Teleshopping in Turkey in January 2007. The Teleshopping group also benefited from a flourishing internet business, which grew by 32% over the year. Internet sales represented 34% of the total. Infomercials on RTL9, NT1, TMC and Eurosport France and the surinvitation.com website also saw significant growth. The Teleshopping group reported an operating profit of €7.9 million in 2007.

TF1 Entreprises

TF1 Entreprises and its subsidiaries reported a 6% rise in sales in 2007. The board games division continued to expand its catalogue, releasing 28 titles in 2007, and sold 620,000 copies compared with 573,000 in the previous year, making up for difficulties in the recorded music and print media markets. TF1 Entreprises reported an operating profit of €1.6 million in 2007.

Production

The production division, mainly comprising TF1 Films Production, TF1 Publicité Production and Glem, generated sales of €28 million in 2007 and improved its operating profit by €3.3 million, reporting a €2.1 million profit.

e-TF1

e-TF1 reported a 20% drop in sales to €57 million, mainly due to the game show *À Prendre ou à Laisser (Deal or No Deal)* taken off the air. Other activities benefited from the increasing popularity of TF1 Network, which recorded a 65%(1) rise in the number of unique visitors between December 2006 and December 2007. e-TF1 reported an operating profit of €2 million.

Teleshopping grew its business

(1) Source: Médiamétrie/Xiti/NielsenNetRatings panel/Cyberstat

Audiovisual rights

The audiovisual rights division reported an 11% increase in sales to €268 million.

Sales by the catalogue business (mainly TF1 International) amounted to €101 million, an increase of 22%, due to cinema successes such as Edith Piaf biopic *La Vie en Rose*. The division made an operating profit of €6 million.

TF1 Video's contribution to 2007 sales rose by 6% to €167 million on the back of 22.7 million DVDs sold, particular successes including *La Vie en Rose*, *The Departed* and *Days of Glory*. The company continued to develop its video-on-demand (VOD) business, with sales quadrupling over the year to €1.9 million. The operating profit amounted to €11.1 million.

Koh Lanta, Season 7

International channels

Eurosport International reported a 5% rise in sales to €273 million. The increase in the number of subscriber households and other developments offset a decline in advertising revenue over the year, which had risen in 2006 with the screening of the Turin Winter Olympics.

Reaching 112.4 million households, Eurosport is the third most widely distributed channel in Europe after CNN and TV5.

Eurosport International reported an operating profit of €32.3 million, compared with €29.8 million in 2006, and a stable operating margin of 11.8%.

A new company joined the Eurosport group in April 2007 with the creation of Eurosport Events, which organises sporting events.

France 24, in which TF1 has a 50% stake, started broadcasting in December 2006. It contributed €2.2 million to the division's sales in 2007 and broke even in operating terms.

Acquisition of a stake in the AB group

On 4 December 2006, TF1 entered into an agreement to acquire a 33.5% stake in the AB group at a cost of €230 million. AB is a leading independent media group with operations in France, Luxembourg, Belgium, Germany and Switzerland.

Merger of TPS and Canal+

On 4 January 2007, TF1, M6 and Vivendi completed the merger of the French pay-TV businesses of Canal+ and TPS in a new entity, Canal+ France, controlled by Vivendi. TF1 contributed 66% of TPS to Canal+ France by handing over, with M6, the entire share capital of TPS Gestion, the sole shareholder of TPS. The contribution, valued at €900 million, was remunerated with shares in Canal+ France representing (after all contributions) 9.9% of the capital for TF1 and 5.1% for M6.

TF1 and M6 both have an option to sell their stake in Canal+ France to Vivendi which they can exercise in February 2010 at the market price as determined by expert valuation, with a minimum price of €1.13 billion for 15% of Canal+ France.

TF1 and M6 also have a joint get-out clause if Vivendi and Canal+ no longer have exclusive control of Canal+ France and a priority right to sell their shares on the market if Canal+ France is floated. TF1 and M6 do not have a seat on the supervisory board of Canal+ France and have no right of any kind with regard to the company's management.

Research and development

Most R&D activities derive from experimental development. Financial resources are generally committed with a view to bringing new products or services to market or screening a new programme.

Programmes

A substantial part of the TF1 group's business involves creation and innovation for light entertainment, drama series and film production.

Technological innovation

The TF1 group has set up a research and development team focusing on technological innovation. In 2007, the department mainly worked on:

- broadcasting TV to mobile phone handsets (DVB-H standard);
- internet video (streaming, P2P, off-web consoles);
- time-shifted viewing (VOD, personal video recorders);
- multimedia product design (TV/web/mobile);
- new forms of advertising.

New activities based on an innovative concept that has never been used commercially in the group. In 2007, the TF1 group launched *PiliPili*, a free urban

Dr House, an American series

monthly magazine, and invested in Nomao, which operates a new Web 2.0 service.

The TF1 group spent about €18 million on research and development in 2007.

Operating risks

Regulatory risk

Broadcasting licence. TF1 is an audiovisual communication service requiring a licence. Its initial licence to use frequencies, granted for a 10-year period from 4 April 1987, expired in 1997. On 17 September 1996, TF1's licence was renewed for a further five years from 16 April 1997 without a competitive bidding procedure. On 20 November 2001, the CSA (French broadcasting authority) automatically renewed TF1's licence for the period 2002 to 2007. Under Article 82 of the law of 30 September 1986 as amended, the licence was automatically extended until 2012 because of the requirement to simulcast in DTT.

The TF1 group must also comply with a number of obligations relating to broadcasting and investment in production. Any tightening of these requirements could have an adverse effect on the group's profitability.

Specific regulation. Under Act 2005-102 of 11 February 2005 on equal opportunities for the disabled, TF1 is required to make all its programmes except advertising accessible to the hard-of-hearing within five years. TF1 has made provision in its financial statements for the gradual implementation of these measures.

The law of 5 March 2007 on the modernisation of broadcasting and the television of tomorrow regulates the introduction of high-definition and mobile TV and the phasing out of analogue terrestrial transmissions in France between 31 March 2008 and 30 November 2011. The law provides for an automatic five-year extension of their licences if the channel operators are members of the public interest grouping implementing the measures paving the way for analogue switch-off, and an additional DTT channel in 2011 with specific production and broadcasting requirements attached. Existing private free-to-air terrestrial broadcasters will also be given a five-year extension of their licences when they switch off their analogue transmissions in compensation of the requirement to provide 95% of the French population with DTT coverage.

Modernisation of audiovisual regulation. The French President has asked for an easing of regulations on advertising in the broadcast media and investment in production to be considered.

Filming in HD

He has also announced the removal of advertising from public service channels, possibly from 1 January 2009. The government is working out how to compensate public broadcasters for the resulting loss of revenue. Any tightening of the requirements currently imposed on TF1 by the prevailing regulations could have an adverse effect on the group's profitability.

Risks linked to TF1's critical processes

The Réagir committee created in 2003 continued to monitor and forestall the major risks associated with the group's critical processes. It also regularly updates and tests business continuity plans that would be implemented following an exceptional event which interrupted the broadcasting signal or prevented access to the TF1 building. Risk management resources were increased in 2007 and the organisation strengthened.

Upgraded technology

- A secure external backup site is operational for three processes: broadcasting programmes, preparing news bulletins (TF1 and LCI) and producing advertisements for the TF1 core channel. The group's vital functions are incorporated into the contingency plan.
- TF1's programmes are currently broadcast to French homes:
  - by analogue signals from TDF's 112 principal transmitters and 3,146 rebroadcast stations;
  - by digital signals from 112 principal transmitters;
  - by satellite, using Atlantic Bird 3 for unscrambled broadcasts and Astra and HotBird™ 13 Degrees East for operators providing programme bouquets;
  - by cable (cable operators are obliged to carry certain analogue channels);
  - by phone line (ADSL) and by optical fibre for distribution through internet service providers.

TDF is responsible for transmitting (i.e. feeding the TF1 signal to broadcast sites) and broadcasting TF1's programmes (and those of all the other national channels) via its free-to-air networks. Globecast is responsible for satellite broadcasting. There is no genuinely comparable alternative to TDF's network and technical resources at present. TF1 therefore depends on TDF to broadcast its signal and cannot use other means of transmission if TDF's network fails.

For the transmitters with the widest coverage, TDF ensures secure transmission by using both free-to-air and satellite networks to carry the signal.

For analogue and digital signals, redundant transmitters further enhance transmission security. In contrast, the mast system is not immune from incidents, while the power supply is the responsibility of electricity utility EDF and can escape TDF's vigilance. Contractual penalties are in no way commensurate with TF1's potential operating losses when such incidents occur (loss of audience, damage to TF1's reputation, 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 financial repercussions. That is why TF1 has negotiated a deal to ensure very rapid intervention by TDF technicians 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.

Eurosport has infrastructure in the UK which enables the channel to secure the broadcasting of its programmes.

Le Cœur des Hommes

Les Enfants de la Télé

Sustainable development indicators

	Our aim	2007 key figures	Action plan	2008 objectives	Progress
Financial and business challenges	• Continue all actions that ensure full compliance with the CSA Charter(1) and BVP recommendations(2). • Contribute to thinking about emerging issues of social responsibility in the media and advertising: guarantee editorial independence and ethical reporting, take action in favour of responsible programming and broadcasting, ensure that programmes are accessible to all.	• **100%** of targets in the CSA Charter met. • **60%** of programmes subtitled for the hard-of-hearing in 2007, compared with 49% in 2006.	• Compliance with regulations on child-protection information, equal air time for political parties, advertising, etc. • Organisation of seminars on freedom and responsibility for reporters. • Compliance unit in attendance at all shoots. • Subtitles for news and current affairs programmes.	• Develop audio description.	
	• Play a part in revitalising social cohesion, by: - reflecting the diversity of cultures, origins and opinion; - raising viewers' awareness of sustainable development and the major issues facing society.		• Short and long programmes on TF1, LCI and other channels to raise awareness of social and environmental issues. • *Passage au Vert,* a daily programme about sustainable development on theme channel Ushuaia TV.	• Create an internet portal devoted to sustainable development.	
Social/HR challenges	• Continue actions for solidarity: - continue to donate air time to charities; - take innovative initiatives, especially targeting young people in underprivileged suburbs; - encourage staff involvement.	• **€19.5** million donated to charity. • **74** charities given free air time in 2007.	• Charity donations of air time, advertisements and game-show winnings. • Creation of a corporate foundation to help young people from underprivileged neighbourhoods. • Continuation of solidarity initiatives on air and within the group.	• Continue actions at the same level. • Through the foundation, propose apprenticeships for 10 young people from underprivileged neighbourhoods.	
	• Maintain premium employee benefits and a working environment that promotes well-being. • Support staff throughout their career, promote equal opportunity, maintain and develop a high-quality HR policy.	• **234** employees able to change jobs in 2007 (over 1,600 since 2001). • **520** housing units allocated to TF1 group employees in the last 20 years.	• Action to promote integration of the disabled, pay rise for women on maternity leave, involvement in business community initiatives to promote equal opportunity in education. • Measures to promote the employability of staff. • Premium employee benefits (employee savings scheme, childcare allowance, quality of life, etc.) • Improved social protection under a group-wide agreement.	• Negotiate agreements on jobs and skills planning, integration of the disabled and gender equality in the workplace.	
Environmental challenges	• Team up with suppliers and staff to turn environmental initiatives into best practice, by: - taking practical steps to limit the group's direct ecological footprint; - raising awareness of environmental protection among staff.	• Energy consumption at the same level as in 2006 despite more equipment. • **20%** less paper consumption. • **3.2%** less electricity consumption. • **3.8%** less water consumption.	• Carbon balance carried out between 2006 and 2007. • Policy of reducing paper, energy and water consumption and waste management. • Drive to save electricity.	• Implement carbon balance recommendations on purchasing and travel, think about technical measures, especially involving new information technologies. • Introduce a centralised responsible purchasing policy.	

(1) CSA: French broadcasting authority (2) BVP: French advertising standards authority

Measures to be introduced in 2008 · Measures introduced in 2007 · Ongoing measures · Measures completed in 2007

Organisation

TF1's sustainable development policy is based on five key themes. A sixth, responsible purchasing, will be launched in 2008 in conjunction with the creation of a centralised purchasing department.

A task force has been set up for each theme, reporting quarterly to a steering committee on the results of its work (benchmarking, proposals for actions and indicators, etc.).

The policy is supervised by a director who reports directly to the CEO, and a full-time staff member is responsible for coordination, monitoring and reporting. A coordinator has been appointed in each subsidiary whose activity has identifiable social and environmental impacts. A committee made up of task force rapporteurs, officers, communications department representatives, the policy supervisor and the human resources director meets once a quarter.

Several social and environmental rating agencies have recognised the ethical and responsible nature of the TF1 group's actions. TF1 is included in four sustainable development indexes: DJSI Stoxx, ASPI Eurozone, FTSE4Good Europe Index and Ethibel Pioneer Investment.

A commitment to society

DIALOGUE WITH STAKEHOLDERS

Stakeholder	Player(s) in TF1	Examples of types of dialogue
Regulator	Corporate secretary, external communications, broadcasting and TF1 Publicité	• Meetings, participation in task forces, reviews.
Viewers	Viewer feedback centre	• A special unit responds to all individual contacts (e mails, phone calls, letters).
Advertisers	TF1 Publicité sales department	• Publication of our general conditions of sale. Website: tf1publicite.fr.
Employees and trade unions	Management	• Dialogue and negotiation of agreements with employee representatives: 50 meetings a year, intranet for trade unions; development of internal communications media (print materials, intranet, etc.); annual appraisal; conferences, films, poster campaigns, etc.; provision of internal documents (company regulations, Eticnet).
Producers	Human resources and employee affairs managers	• Compliance unit in attendance at all shoots.
Charities, NGOs	Broadcasting, Solidarity Committee, employee affairs	• Consideration given to all requests for help, response decided by the Solidarity Committee. • Long-term contracts with JeVeuxAider.com and the Nicolas Hulot Foundation. • Partnerships (e.g. Action Innocence), memberships (e.g. Tremplin), sustained dialogue with many charities (e.g. for the hard-of-hearing).
Shareholders and the financial community	Financial communications	• Shareholder guide. • AGM. • Annual report. • Road shows for institutional investors. • Regular telephone contacts. • Website.
Suppliers and service providers	Technologies and Internal Resources	• Inclusion of suppliers in cross-functional processes (risk management, sustainable development) through constant and personalised dialogue.

Fundraising for charity

Subtitles for the hard-of-hearing

2007 presidential campaign

The CSA's recommendation to TV channels and radio stations concerning news treatment of the 2007 presidential election took effect on 1 December 2006 and lasted until 6 May 2007. It covered speaking time (candidates in person) and air time (reports and features) for declared and presumed presidential election candidates, based on the twin principles of equality and fairness. Different methods for counting time were used in different phases of the campaign.

Programme compliance unit

TF1 has established a programme compliance unit, attached to the broadcasting department. As well as ensuring that programmes to be aired comply with CSA regulations, it handles relations with the broadcasting authority and anticipates potential legal disputes in connection with programmes, in liaison with the legal and regulatory affairs department.

Accessibility of programmes to the disabled

TF1 addressed concerns that news broadcasts, especially about the 2007 presidential campaign, should be accessible to the hard-of-hearing. The current affairs programme *Face à la Une* and the debate in the first round of the presidential election were subtitled, as are now all editions of the TV news. Over 60% of programmes were subtitled in 2007, compared with 49% in 2006.

TF1 also intends to take account of the 1 million French people with impaired vision by developing audio description, a technique that enables blind or sight-impaired people to experience a film through an appropriate voice description of the action and setting. The aim for 2008 is to offer audio description (a technique developed by AVH, a charity for the sight-impaired) for 10 to 15 primetime broadcasts, especially of French feature films.

Responsibility for broadcast content and products

Commitment

Continue all actions that ensure full compliance with the CSA Charter and BVP recommendations and contribute to thinking about emerging issues of social responsibility in the media and advertising.

Action

Ethical reporting

All editorial items are viewed by the senior editor before they are aired. Editors pay attention to the quality of picture sources and will not use amateur video footage if the source cannot be verified. Regular seminars on freedom and responsibility are organised for staff involved in preparing news bulletins on TF1. About 30 journalists attended such seminars in 2007.

Testimonial

Catherine Nayl,
head of features, *on compliance with speaking time requirements during the French presidential campaign*

"All senior editorial staff were fully briefed on this extremely complex and highly-charged issue, in an atmosphere conducive to mud-slinging. On this matter as in everything relating to ethical reporting, our position as leader imposes even more of a duty on us. We are happy to have had a pat on the back from the CSA for our efforts."

Reflect the concerns and the diversity of contemporary society

Commitment

Play a part in revitalising social cohesion by reflecting the diversity of cultures, origins and opinion, by encouraging new talent through programming schedules and when buying content, and by raising

Passage au Vert, a new programme on Ushuaïa TV

viewers' awareness of sustainable development and the major issues facing society.

Action

Diversity on air

In 2007, TF1 continued its efforts, begun in previous years, to ensure that its programmes reflect the diversity of cultures and origins, in the public and among candidates for game shows, in drama series and among journalists and newsreaders.

TFou programmes for children

Every year, the children's programmes unit TFou organises at least one campaign to make children more aware of the major problems facing society. After peace, solidarity, tolerance, nutrition and environmental protection, TFou, in cooperation with the association Les Petits Citoyens, carried out a new campaign to assert children's rights and encourage children to think about the underlying philosophy. In 2008, TFou will launch another series of short programmes on protecting the environment.

Support good causes

In 2007, in addition to items on the TV news and in current affairs programmes, TF1 aired a number of shows to raise money for good causes, including charities that provide free meals to the needy, raise funds for hospitals, support medical research (AIDS, genetic disorders), etc.

The environment on TF1

TF1 was ranked the greenest channel in the first half of 2007 ahead of France 2, according to a survey by Ina'stat, the statistics unit of INA, the national audiovisual institute. Environmental concerns featured in 40 TV news items per month on average and were also taken up in weather forecasts.

New sustainable development portal

In March 2008, TF1 will launch an innovative internet portal devoted to sustainable development, combining non-specialist editorial treatment with Web 2.0 multimedia content. An ethics committee will make recommendations to ensure that the information provided is of suitable quality.

Solidarity: a strong link between TF1 and civil society

Commitment

Continue actions for solidarity, continue to donate air time to charities, take innovative initiatives, especially targeting young people in underprivileged suburbs, and encourage staff involvement.

Action

TF1's Solidarity Committee

Chaired by Claude Cohen, Chairman of TF1 Publicité, the Solidarity Committee meets once a month to consider the requests for assistance that TF1 receives. The committee manages a budget comprising donations of both air time and money.

Advertisements for charities with a vital need to reach the general public in order to raise money may be made or aired free of charge.

TF1 corporate foundation

TF1's corporate foundation, created in 2007, will focus in 2008 on helping young people to find jobs and to discover the world of work.

An initiative was launched in January 2008, calling on young people aged 18 to 30 living in disadvantaged neighbourhoods to submit a short video in support of their application for a job in the audiovisual industry via the foundation's website. The ten winners, chosen by a panel of professionals, will be offered a two-year apprenticeship in the TF1 group plus training and individual mentoring.

The initiative will be repeated every year.

Manage human resources and the working environment

Commitment

Maintain premium employee benefits and a working environment that promotes well-being, security and fulfilment, by:

- promoting equal opportunity;
- supporting staff throughout their career;
- maintaining and developing a high-quality HR policy.

Action

Integration of disabled employees

TF1 has a policy of integrating disabled employees with four ob-

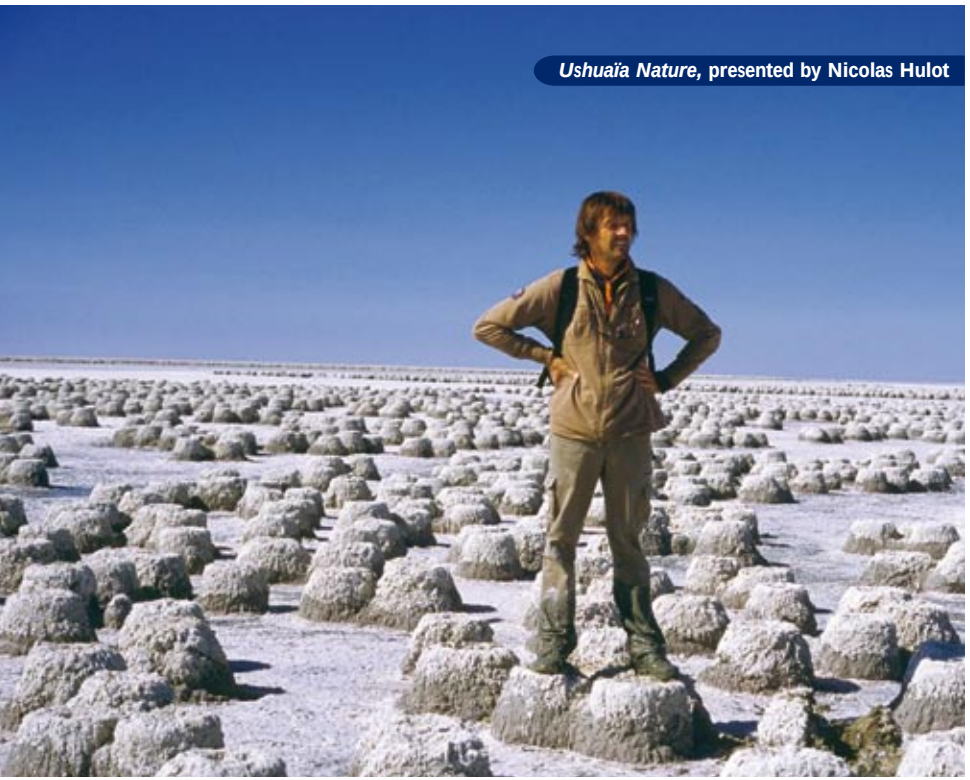
Collecting for the TF1 Foundation

jectives: direct employment, continuing employment, use of the sheltered sector, and greater disability awareness among all staff.

In 2007, TF1 carried out a study with the association R2H to identify factors holding back the adoption of a more proactive approach. The study included a quantitative and qualitative analysis based on about 20 interviews with staff from different parts of the group.

Since 1 December 2007, the policy of integrating disabled employees has been backed up by the creation of a disability task force within TF1's human resources development department.

The task force reflects the group's determination to improve the welcome and integration of disabled employees and to make greater use of the sheltered sector.



***Ushuaïa Nature*, presented by Nicolas Hulot**

Gender equality

The works council's gender equality committee has carried out a comparative review of the situation of TF1 SA employees according to a range of criteria such as headcount, leave, training and pay so that discrepancies identified can be rectified on the basis of precise indicators.

In 2007, a decision was taken with the trade unions to give all female salaried employees who took maternity leave in the previous year the full amount of negotiated general and individual pay increases. 32% of women whose maternity leave started in 2006 received a pay increase higher than the negotiated rates for both general and individual rises.

Support staff throughout their career

TF1 spends over 3% of its payroll on training. It encourages employees to make use of their training entitlement by providing information about the entitlement scheme and advising them in their choice of training. Nearly 364 training requests were received in 2007.

Maintain premium employee benefits

TF1 goes beyond its statutory obligations in order to provide a working environment that promotes its employees' well-being.

Newsreader Claire Chazal

Some examples:

- An individual bonus of €915 is paid for marriage and the birth of a child and daycare places are reserved. Pregnant women remain on full pay for the entire time they are off work and their working week is reduced by 10 hours from the sixth month of pregnancy.
- A time savings account (accumulated leave) scheme was introduced in 2007.
- A group-wide agreement on the supplementary health insurance scheme negotiated in late 2007 came into effect in January 2008.

Environmental challenges

Commitment

Team up with suppliers and staff to turn environmental initiatives into best practice, take practical steps to limit the group's direct ecological footprint and raise awareness of environmental protection among staff.

Action

All environmental issues (energy, water and paper consumption, greenhouse gas emissions, waste management) are handled within the framework of the environmen-

Testimonial

Bernard Charbonnel and Christophe Legeron,

logistics managers for the features department

"The approach includes a technology watch, testing and above all the gradual involvement of individuals until every one of the 120 staff, whether reporters or editors, has assumed the new working habits. To give an example, thanks to the approach, we will have achieved a 90% reduction in the use of dry batteries by the end of 2008."

tal management system introduced in 2005. Measures to reduce energy consumption at TF1's main site in Boulogne-Billancourt, begun in 2006, continued in 2007 with the installation of motion sensors, low-energy lightbulbs, new studio lighting, etc.

Carbon balance

With support from ADEME, the French environment and energy management agency, TF1 carried out a first carbon balance of its broadcasting activities in order to map the source of greenhouse gas emissions. The first such exercise by a French media operator, it raised awareness of the issues among a large number of people both inside and outside the group.

A plan to reduce greenhouse gas emissions has been drawn up with the help of the parent company, Bouygues SA, including:

- a new purchasing and depreciation policy incorporating environmental criteria for computer hardware;
- a policy to encourage the use of low-emission company cars and carbon offsetting;
- ongoing energy-saving measures;
- an action plan to reduce external greenhouse gas emissions;
- cooperation with other players in the sector to promote low-energy TV set design and point-of-sale information about the energy consumption of TV sets.

Limit the ecological footprint of activities

Within the channel's features department, measures have been taken to reduce the environmental impact of outside broadcasting. 40 vehicles use Total Excellium diesel fuel, the use of aerosol cans has been cut, dry batteries (50,000 a year) are being replaced with rechargeable batteries and cassettes are being replaced with reusable data media.

Raise awareness among employees and suppliers

Calls for tender have included environmental protection criteria and sustainable development considerations in general since 2005. The group organised a meeting of all logistics service providers to share experiences and think together about measures to be taken in 2008.

Introduce a centralised responsible purchasing policy

In 2008, the TF1 group will draw up a code of ethics for supplier relations, based on the following principles:

- transparent and even-handed relations with suppliers;
- clear purchasing processes and substantiated decisions;
- reciprocal compliance with contractual commitments;
- societal and environmental responsibility;
- considerate and ethical behaviour;
- refusal of bribery and conflicts of interest, whistleblowing.

There are also plans to circulate a questionnaire to all suppliers that will help to measure their commitment to sustainable development, introduce labour audits for purchases in high-risk countries and identify all purchases of merchandising in the group in order to implement the relevant best practices.

TF1 partners the "Pièces Jaunes" campaign

Outlook for 2008

2008 is a crucial year for TF1. The group aims to:

- **consolidate the TF1 core channel's leading position** by overhauling its brands in all areas of programming;
- **develop a comprehensive media strategy** by strengthening its internet presence and the place of theme channels;
- **expand multiple-media advertising services** (television, internet, mobile, etc.);
- **continue to improve the profitability** of diversification activities;
- **introduce a centralised responsible purchasing policy.**

Telecommunications operator

Excellent financial results, the fruit of marketing investments in 2006

In 2007, Bouygues Telecom continued to offer an attractive line-up for both consumers and businesses and passed the 9-million customer mark in November. It ensured that it had the resources to meet growing demand for data and converged services from businesses and SMEs.

2007 sales	Operating margin	Net profit att. to the Group	Employees	2008 sales target
€4,796m (+6%)	15.6% (+2.5 points)	€492m (+26%)*	7,700	€4,965m (+4%)

(*) From continuing operations

Highlights

- **Carbon balance** measured in 2007.
- **November:** 3G+ services released for businesses and consumers.
- **September:** signing of an agreement with Neuf Cegetel for the provision of a business and consumer DSL service; new brand campaign on the theme of freeing up personal communication; launch of Neo Pro services for SMEs.
- **July:** conclusion of an MVNO contract with cable operator Numericable.
- **June:** launch of Business Synchro, converged voice and data services, and of the "2 Fois Plus" plan.

A dynamic year

Bouygues Telecom made astute strategic choices in 2006 and this was reflected in its results in 2007: a 5.7% rise in sales and a 2.5-point increase in the current operating margin to 15.6%. Sales from network amounted to €4.5 billion, a rise of 5.3% despite an 18% cut in call termination charges from 1 January 2007.

Growth was mainly due to a 6.1% increase in the number of SIM cards over the year. The success of the Neo and Exprima unlimited call plans and of Universal Music Mobile continued.

2007 also saw a 22% increase in the number of business and SME customers.

Consolidated EBITDA amounted to €1,332 million, or 29.8% of sales from network, an 0.8-point rise on 2006. The increase was due to the combination of three positive factors:

- higher sales;
- €30 million of non-recurring items in the first half of the year;
- lower relative marketing costs than in 2006, when Neo was launched.

Amortisation and depreciation expenses bottomed out in 2007 and some initial investments have now been entirely written off. As a result, operating profit increased at a higher rate than EBITDA.

For the first time, Bouygues Telecom recorded income from net surplus cash, contributing to the sharp rise in net profit excluding divested activities (Bouygues Telecom Caraïbe was sold in 2006).

The company invested €600 million in 2007, mainly in upgrading and extending the network, and stepped up the rollout of its third-generation high-speed packet access (HSPA) network in 2007. Eleven cities were covered,

representing over 20% of the French population.

The company also expanded its retail sales network. The number of stores in the Bouygues Telecom Clubs network (RCBT) rose from 521 at end-2006 to 548 at end-2007. In September, Bouygues Telecom acquired the entire share capital of Stock Com, a wholesaler.

In September, Bouygues Telecom also signed an agreement with Neuf Cegetel giving it access to a DSL network comprising 1,000 subscriber nodes covering over 60% of the French population.

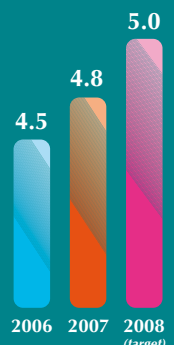
Bouygues Telecom will buy part of the network (622 nodes) by 30 June 2008. After that date, Neuf Cegetel will continue to allow Bouygues Telecom access to 378 nodes in its own network.

The new infrastructure will allow Bouygues Telecom to increase its range of converged services for businesses, begun with Business Synchro.

For consumers, it will enable the company to offer an attractive range of broadband internet services, further helping to secure their loyalty.

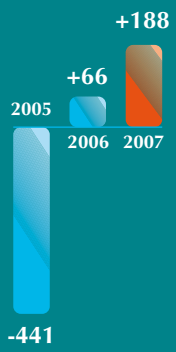
Bouygues Telecom paid a dividend of €450 million in April 2007 and ended the year with a net cash surplus of €188 million.

Sales € billion



Net profit € million

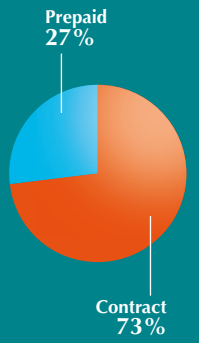
Net cash € million



Value market share Sales from network (as a %)

Contract customers in millions

Customer base at 31 December 2007



(*) Excl. net profit from divested companies (BTC): e110m

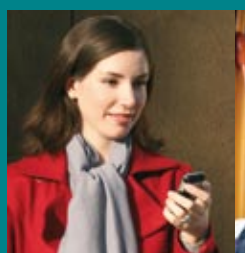
CONSOLIDATED BALANCE SHEET AT 31 DECEMBER

ASSETS (€ million)	2006*	2007
• Property, plant and equipment and intangible assets	3,045	3,060
• Goodwill	1	8
• Non-current financial assets and taxes	9	12
NON-CURRENT ASSETS	3,055	3,080
• Current assets	1,010	1,114
• Cash and equivalents	92	210
• Financial instruments used to hedge net debt	-	-
CURRENT ASSETS	1,102	1,324
TOTAL ASSETS	4,157	4,404
LIABILITIES AND SHAREHOLDERS' EQUITY (€ million)	**2006**	**2007**
• Shareholders' equity att. to the Group	2,324	2,370
• Minority interests	-	-
SHAREHOLDERS' EQUITY	2,324	2,370
• Non-current debt	19	17
• Non-current provisions	99	96
• Other non-current liabilities	-	-
NON-CURRENT LIABILITIES	118	113
• Current debt	6	5
• Current liabilities	1,708	1,916
• Overdrafts and short-term bank borrowings	1	-
• Financial instruments used to hedge net debt	-	-
CURRENT LIABILITIES	1,715	1,921
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	4,157	4,404
Net cash surplus	66	188

(*) Applying the same accounting policy as in 2007

CONDENSED INCOME STATEMENT

(€ million)	2006*	2007
SALES	4,539	4,796
• Net depreciation and amortisation expense	(595)	(579)
• Net charges to provisions and impairment losses	(67)	(34)
• Other income and expenses	(3,284)	(3,437)
CURRENT OPERATING PROFIT	593	746
• Other operating income and expenses	-	-
OPERATING PROFIT	593	746
• Cost of net debt	(9)	3
• Other financial income and expenses	-	(1)
• Income tax expense	(195)	(256)
• Share of profits and losses of associates	-	-
NET PROFIT FROM CONTINUING OPERATIONS	389	492
• Net profit of discontinued and held-for-sale operations	110	-
NET PROFIT	499	492
• Minority interests	-	-
CONSOLIDATED NET PROFIT att. to the Group	499	492



Bouygues Telecom has more than 20% of the market by value

Controlled growth

The market

The French mobile phone market grew by 7.1% in terms of the number of SIM cards, fuelled by an 8.2% rise in the number of contract customers. As in 2006, the major operators lost prepaid customers to mobile virtual network operators (MVNO).

As was the case last year, MVNOs took the lion's share of net growth in the SIM card base (33% compared with 31% in 2006). They had 4.7% of the total base at end-2007 and achieved most of their growth at the expense of Orange and SFR.

Over the year as a whole, Bouygues Telecom accounted for 20% of net growth in contract customers. The proportion of contract customers in the customer mix, 73%, increased by 1.5 points. For the first time, Bouygues Telecom took more than 20% of the market by value.

Sales and marketing

In 2007, Bouygues Telecom adjusted its products and services to meet **consumer** expectations.

The Neo and Exprima range of call plans was rounded out with the Exprima 24/24 plan offering unlimited calls to fixed-line numbers and the "2 Fois Plus" plan offering double call time to all numbers from 6.00pm to midnight.

In August, the prepaid line was renamed "Bouygues Telecom Card" and overhauled to boast an unrivalled price per minute as well as recharge cards that include unlimited text messages.

Universal Music Mobile continued to be popular with young people and had over one million customers at the end of the year.

Services to **businesses** were considerably enhanced in 2007.

Business Synchro, a converged voice/data service, was launched in June. It enables firms to cut their costs, simplify their processes and improve their efficiency, offering them a one-stop contact and a single bill for fixed and mobile calls and internet access.

In June, the Neo line was extended to SMEs. The Neo Pro 4h plan offers unlimited calls to all fixed-line and mobile numbers during the week and an additional four hours of call time at evenings and weekends.

Rollout of the HSPA network meant that 3G+ services, especially internet access, became available in November. Services include instant internet access with a USB modem and unlimited mobile internet access with the first HSUPA-compatible data card.

In the second half of the year, Bouygues Telecom concluded two MVNO wholesale agreements with Numericable and Auchan, both strong brands with a sizeable customer base and extensive distribution network.

Customer relations

AFAQ/AFNOR renewed for a further two years its NF Service certification for the consumer call plans component of Bouygues Telecom's customer service operations, awarded in December 2006. Bouygues Telecom is still the only operator to have obtained such certification.

Subsidiaries

Réseau Clubs Bouygues Telecom (RCBT)

There were 548 stores in the Bouygues Telecom Clubs network at end-2007, 179 of them in shopping centres.

Alongside the network of independent retailers, RBCT continued to expand its branch network, created in 2005, increasing the number of branches from 54 at end-2006 to 151 at end-2007.

RCBT reported a 12% increase in sales in 2007 to €358 million.

Téléciel – Stock Com

Téléciel, a wholesale distributor of telecommunications products and services, coordinates and supplies a network of 1,400 sales outlets.

In 2007, Téléciel continued to develop Phonéo, an umbrella brand for 111 independent retailers, and took over 15 Cellular Telecom stores, a regional chain, through Phonéo Distribution, a wholly-owned subsidiary of Téléciel.

In early September 2007, Bouygues Telecom acquired Stock Com, a wholesale distributor of telecommunications products and services which supplies 700 independent retail outlets, mostly in and around Paris and Marseille.

Téléciel reported sales of €132 million in 2007.

Regulatory environment

Licences

Fourth UMTS licence

ARCEP, the French telecommunications regulator, rejected the only application for a fourth UMTS licence, submitted by Iliad, because it did not fulfil the qualification criteria. However, under the law of 3 January 2008 on the development of competition for the benefit of consumers, any modification of the financial conditions for the fourth licence is henceforth a matter for the government.

Enhanced services for business users

Bouygues Telecom's UMTS licence

On 23 November, Bouygues Telecom provided ARCEP with evidence showing that its 3G network covers over 21% of the French population and confirming that it offers the full range of 3G services. Bouygues Telecom thus complies with its rollout obligations.

Renewal of Bouygues Telecom's GSM licence

On 7 December 2007, ARCEP informed Bouygues Telecom of the terms for the renewal for 15 years of its licence to use 900 MHz and 1800 MHz frequencies, valid from 8 December 2009.

Regulation

Voice call termination

ARCEP set voice call termination rates for 18 months from 1 January 2008 at €0.065 per minute for Orange and SFR (13.3% less than in 2007) and €0.085 per minute for Bouygues Telecom (8% less than in 2007). The difference between Bouygues Telecom and its competitors is now €0.02, compared with €0.0174 previously.

548 Bouygues Telecom Club stores

International roaming

Bouygues Telecom introduced the Eurotariff adopted by the European Parliament on 25 September 2007. For a one-year period, the regulation sets the maximum charge to the customer per minute at €0.49 excluding taxes for calls made from another EU Member State and €0.24 excluding taxes for calls received in another EU Member State. The charges will fall to €0.46 and €0.22 respectively in 2008 and €0.43 and €0.19 in the summer of 2009.

The regulation also sets the ceiling for wholesale prices at €0.30 excluding taxes on average in 2007, falling to €0.28 and €0.26 on 30 August 2008 and 2009 respectively.

Blind spots

The programme to cover blind spots continued. At 31 December 2007, when the programme was due to end, coverage had been extended to almost 90% of the 3,000 municipalities concerned. Coverage will be extended in 2008 and 2009 to municipalities in the initial programme not covered at the end of 2007.

Priority arterial roads

Under the terms of a nationwide agreement concluded in February 2007, Bouygues Telecom gave a commitment, alongside Orange and SFR, to cover 57,000 kilometres of priority arterial roads. Under the terms and conditions for

Upgrading and extending the network

renewal of its licence in December 2009, Bouygues Telecom must have completed the coverage by the end of 2010.

Digital dividend

The transition from analogue to digital television, which uses only one-sixth of the frequency resources, will free up frequencies in the UHF band (470-862 MHz) over the period to 2012. On 16 November 2007, the international telecommunications authorities decided to allocate the 790-862 MHz band to mobile services in Europe, opening up the prospect of using part of the UHF band in the future for electronic communication services.

Personal mobile TV

The law of 5 March 2007 on the modernisation of broadcasting and the television of the future defined the legal framework for personal mobile TV services.

On 8 November 2007, the French broadcasting authority CSA invited applications for the allocation for a ten-year period of the 13 personal mobile TV channels available out of the 16 channels created. The CSA will award the licences before the summer of 2008.

Consumer affairs

A new law promoting competition for the benefit of consumers came into effect on 3 January 2008.

Provisions affecting the mobile phone industry include:

- a 10-day notice period for cancelling subscriptions;
- the regulation of subscription periods longer than 12 months, allowing subscribers to terminate the contract from the thirteenth month in return for payment of a quarter of the outstanding amount and requiring operators to systematically offer contracts lasting 12 months at most.

Research and development

One highlight of 2007 was the introduction of the new Business Synchro solution, a direct result of Bouygues Telecom's experimental work as part of its R&D activities. Bouygues Telecom has focused in particular on the following areas:

Contactless applications

Two operational experiments involving public transport were carried out using the Near Field Communication (NFC) standard, one in Paris with the local mass transit authority and the French railways, the other in the Grenoble area.

Bouygues Telecom is also an active participant in the Secure Electronic Transactions task force whose work led to the launch of a pilot scheme for payments by mobile phone, introduced in Caen and Strasbourg in late 2007.

Mobile TV

In 2007, Bouygues Telecom defined technological solutions for broadcast-mode video (broadcast modes, access control, content protection, etc.).

SIM card

At the "Cartes 2007" exhibition, Bouygues Telecom gave a demonstration of the first over-the-air full download and remote personalisation of a contactless transit application into a new-generation SIM card.

Standardisation

With know-how gained from R&D, Bouygues Telecom is able to play an active part in standardisation initiatives relating to its businesses and to defend its interests in strategic areas like SIM cards, mobile TV and contactless applications.

Protecting innovation

Bouygues Telecom is at pains to protect the fruits of its R&D activities. It has a portfolio of 225 patents or patent applications in France and in other countries and filed 12 new French patents in 2007.

Innovation Forum

The annual Innovation Forum is intended to provide recognition and an in-house showcase for innovative projects and their designers. Prizes are awarded to the most

Contactless payment

Investing in technology

innovative of the 50 or so projects (new services, technologies, processes, etc.) presented during the event, which lasts several days.

Operating risks

Litigation

Bouygues and Bouygues Telecom are continuing their legal action against State aid granted when France Telecom was recapitalised in 2002 and against the unlawful retroactive modification of UMTS licence fees in favour of Orange and SFR. In the case involving the recapitalisation of France Telecom, oral arguments are due to be heard before the Court of First Instance of the European Communities in 2008. The case concerning UMTS licence fees has been brought before the Court of Justice of the European Communities.

In the context of the procedure to renew its licence, in early 2008 Bouygues Telecom challenged the difference in treatment between operators before the Conseil d'État, since ARCEP has reserved the right to ask Bouygues Telecom to return certain blocks of 900 MHz frequencies as of 2009. The case is due to be heard in 2008.

Competition

The changed conditions for the award of a fourth UMTS licence and concentration among players in the fixed and mobile phone industries are factors likely to increase competition on the market. Bouygues Telecom is anticipating this shift by bringing out generous offers, with a proactive strategic focus on the quality of its customer relations.

Technology

The company invested heavily in 2007 to ensure that major technical components of the network have redundant backup. The T-Réagir business continuity plan guarantees minimum service continuity for the time needed to deal with a malfunction.

Bouygues Telecom's critical functions are managed by information systems. Changes in load or context can cause serious malfunctions. The information systems department is organised according to the principles of the Information Technology Infrastructure Library (ITIL) quality framework, which introduces continuous improvement. An information systems continuity plan, I-Réagir, has been in place for several years and is operational at all times, covering the eventuality of hardware destruction. Bouygues Telecom's insurance covers this risk.

Fraud

Fraudulent use of services and the network is a constant threat because of the potential amounts involved. Bouygues Telecom has earmarked resources to ensure permanent and effective monitoring of the risk. Specific internal control measures have been introduced to monitor financial flows and a high level of security is ensured through protective action proportionate to the amounts involved.

Cost control

On a market that is becoming more and more complex as the number of players increases, pressure towards higher marketing costs is enhanced by the need to remain competitive. The retail network, on which Bouygues Telecom depends to achieve its sales and customer service targets, is paid on commission. Bouygues Telecom has introduced an internal control system based on regular meetings of spending committees to oversee decisions.

Health

Mobile telephony uses radio waves to carry communications. No adverse health effects from base stations or handsets have been proved to date.

However, the company recognises the importance of addressing legitimate concerns expressed by the public and users about the possible health effects of radiofrequencies. Some studies suggest the possibility of a risk following intensive mobile phone use. Health and safety authorities, taking account of the uncertainties that emerge from the conclusions of current scientific studies, propose precautions of an individual nature with the aim of reducing exposure. Bouygues Telecom applies all these measures, provides information in various formats (company website, brochures, etc.) and systematically supplies hands-free kits. It also helps to finance the French Health and Radiofrequencies Foundation, which defines, promotes and funds research into the effects of exposure to radiofrequencies.

Natural disasters

Network infrastructure is exposed to natural disasters like storms and flooding. Bouygues Telecom has developed disaster recovery procedures to guarantee the resumption of normal service as soon as possible depending on the severity of the event. Bouygues Telecom's insurance covers this risk.

Continuously upgrading systems

Sustainable development indicators

	Our aim	2007 key figures	Action plan	2008 objectives	Progress
Financial and business challenges	Purchase responsibly.	• Over **95%** of buyers given training in responsible purchasing in 2007. • **6** social audits carried out in low-cost countries in 2007.	• Provide training to buyers and operational staff. • Continue social audits in compliance with the Global Compact. • Cooperate with suppliers on more responsible products and equipment.	• Provide a suitable computerised tendering system. • Apply an environmental and social scoring system to about 100 suppliers and define an action plan. • Continue to computerise exchanges with suppliers.	
	Support customers in their mobile phone use.	• **20%** of calls taken by customer advisers lead on to a review of consumption and personalised advice.	• Offer customers the services best suited to their consumption patterns; involve them in the company's sustainable development policy.	• Raise awareness among customers through measures such as e-billing, collection of used handsets, etc.	
	Protect children from harmful content.	• **37,000** parental controls activated at end-2007.	• Offer a parental control service for customers who are minors.	• Study the possibility of stricter, profile-based parental control; study options for filtering independent sites (chat rooms, etc.). • Study the extension of parental control to SMS+, MMS+, DVB-H TV, etc.	
	Honour our service pledge.	• Renewal of AFAQ/AFNOR certification for customer relations centres. • **1st** prize in the Customer Relations League Tables in 2007.	• Develop the service mindset: "Support our customers at all times". • Establish closer relations with consumer protection authorities and enhance dialogue with consumer bodies.	• Ensure the coherence of our quality policy between different contact channels. • Enhance the measurement of customer satisfaction at different points (activation, renewal, migration, etc.).	
Social/HR challenges	Give as many people as possible access to our services.	• **2,559** municipalities covered in 2007 under the blind-spot coverage programme.	• Cover all 3,000 municipalities in the blind-spot coverage programme.	• Continue the rollout: install an additional 250 base stations to cover another 300 municipalities and arterial roads.	
	Make mobile telephony accessible to the disabled.	• **182** Bouygues Telecom Club(1) stores with disabled access. • **300** free voice software packages offered to customers in 2007 (+113%).	• Ensure that Bouygues Telecom Club stores have disabled access. • Improve services for the disabled.	• Continue to improve disabled access to stores. • Provide more information about accessibility. • Give disabled people a wider choice of handsets.	
	Be transparent on the subject of radiofrequencies and health.	• **2** new leaflets. • **-14** points(2) on 2006: the perception of base stations as a health hazard.	• Increase customer communications on best practices for mobile phone use (hands-free kit, road safety, etc.).	• Encourage the use of hands-free kits. • Provide information about the specific absorption rate (SAR) in customer materials. • Continue research.	
	Ensure our employees health.	• Industrial accident frequency and severity rate: **1.66** and **0.040**	• Seek input from health and safety committees and staff on the design of new workplaces.	• Take steps to raise awareness of emergency procedures and preventive measures among staff.	

(1) Of 310 Bouygues Telecom Club stores and branches (2) Source: 2007 survey of mayors by TNS Sofres

Measures to be introduced in 2008 · Measures introduced in 2007 · Ongoing measures · Measures completed in 2007

	Our aim	2007 key figures	Action plan	2008 objectives	Progress
Social/HR challenges	Develop skills and promote equal opportunity among the disabled.	• **92%** of employees given training. • **33%** of managerial staff are women. • **12%** more disabled employees than in 2006, 133% increase in sales with the sheltered sector.	• Promote staff training and mobility. • Continue our workplace diversity policy. • Create a disability task force to coordinate measures.	• Conclude a jobs and skills planning agreement. • Continue recruitment and diversity training. • Continue to promote work/study contracts. • Implement the disability task force.	
	Support good citizenship initiatives.	• **3,500** employees and **160,000** customers involved in the Earth Challenge. • **€950,000** spent on sponsorship in 2007. • **313** volunteer employees in 2007.	• Support employees who are involved in charities. • Encourage staff to take part in solidarity initiatives. • Extend the network of medical and social charities supported.	• Renew support for the Nicolas Hulot Foundation's Earth Challenge. • Put the partnership with the charity Les Petits Princes on a long-term footing. • Publish the novel that wins the Bouygues Telecom Foundation prize and launch the second prize. • Make charitable sponsorship by staff more systematic.	
Environmental challenges	Integrate base station sites into their environment.	• **81%** of sites audited.(3) • **84%** of sites audited.(3)	• Assess the entire installed equipment base. • Integrate all new base station sites into the environment.	• Study the integration of base station sites into the environment in the context of HSPA rollout.	
	Recycle waste.	• **171,525** used handsets collected, 151 tonnes of network equipment recycled in 2007. • **100%** of waste complies with the WEEE Directive.	• Encourage customers to recycle their used handsets. • Increase expertise among operational staff. • Optimise waste management streams.	• Audit equipment suppliers and network service providers. • Audit waste production and draw up an action plan to reduce it. • Give priority to local industries. • Press for technology standardisation with AFNOR and other stakeholders.	
	Limit electricity and paper consumption.	• **2** new base station sites powered by renewable energy sources. • **3.87** MWh consumed per occupied workstation. • **22.4%** of consumers with call plans on e-billing.	• Continue to roll out base station sites powered by renewable energy sources. • Continue to optimise electricity consumption. • Develop alternatives to paper for communications.	• Carry out a systematic survey to identify oversized network equipment in relation to traffic. • Continue to experiment with renewable energy sources for base station sites. • Carry out a study of air conditioning in offices.	
	Reduce greenhouse gas emissions.	• **8,300** tonnes of carbon equivalent(4) emitted in 2006 under the energy item.	• Draw up an action plan.	• Involve suppliers in action to reduce greenhouse gas emissions. • Cut business travel by 5% and define a new company car policy.	
	Operate office sites sustainably.	• **1** HQE-certified customer relations centre under construction.	• Obtain HQE certification for all new buildings. • Help to draw up the HQE Operation reference framework with the CSTB. • Improve the environmental profile of buildings.	• Test the HQE Operation reference framework on two sites. • Train site managers in HQE Operation.	

(3) At end-2007, according to the 12 integration rules defined by the three mobile operators (4) Carbon balance carried out in 2007 using 2006 data

Organisation

Bouygues Telecom's sustainable development policy is coordinated by the services and innovation department in liaison with operational and support units. Guidelines and objectives are defined by a steering committee made up of members of senior management. A sustainable development executive committee, comprising representatives of the firm's main lines of business, meets monthly to monitor progress, ensure operational coherence and prepare quarterly reports for the steering committee.

Initiatives are implemented at the company's 11 main sites by two-person teams representing corporate services and human resources departments.

HQE-certified customer relations centre in Bourges (France)

This symbol refers to an indicator in the sustainable development indicators or non-financial indicators.

Commitment to the environment

Collect and recycle waste

Batteries and handsets

Since 2003, in line with the changing requirements of environmental regulations, Bouygues Telecom has extended the collection of used handsets to all its distribution channels.

The profits generated in 2007 from the collection of used handsets from businesses, distance sellers and employees are donated to the Nicolas Hulot Foundation and will be used to finance 495 places at environmental awareness camps for children.

In 2008, Bouygues Telecom plans to overhaul its mobile handset recycling processes with the aim of optimising logistics.

Waste generated at base station sites and in offices

Environmental audits have been carried out at office sites as part of a challenge, with the aim of highlighting the strengths and weaknesses of each activity, promoting exchanges of best practices and encouraging improvement plans. The audits focused on the implementation of new regulations, especially on hazardous waste management.

Sustainable development corners were introduced at the firm's 11 main sites during the 2007 Sustainable Development Week. As well as being used to collect recyclable products like handsets, batteries and bottle tops, they are also places where information is provided and where events take place at key times during the year, like the campaign to collect used handsets, carbon balance awareness-raising, sponsorship initiatives, etc.

A spring clean, organised in 2007 for the first time, resulted in the collection of 146 tonnes of paper, cardboard and POS materials from all the company's sites. The scheme will also provide useful information for calculating the specific storage space required at existing and future sites.

Reduce nuisance and pollution

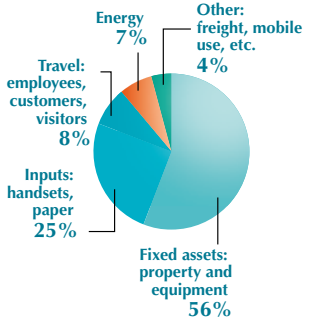
Blend base station sites into the environment

In 2007, Bouygues Telecom continued the evaluation of all its equipment installed in France. 81% of base station sites had been audited by the end of the year and 84% of them are integrated into the environment according to the 12 environmental integration principles defined by the three French mobile operators.

Reduce greenhouse gas emissions

Bouygues Telecom carried out a carbon balance in 2007 in partnership with ADEME, the French environment and energy management agency, in order to estimate the direct and indirect greenhouse gas emissions generated by its activity. Action plans will be introduced for each item.

Breakdown of greenhouse gas emissions
by major item



Bouygues Telecom already equips its sales force with low-CO_2 vehicles (120 grams of CO_2 per kilometre). 200 more environmentally friendly vehicles will ultimately be brought into service. These changes in the vehicle fleet represent a saving of 240,000 litres of fuel and 48 tonnes of CO_2.

Steps have been taken to encourage teleworking, such as:

- a 3D GPS tool to optimise or eliminate the need for on-site servicing by technicians;

- training in e-working so that radio engineers in the French regions can work remotely on the Paris network;
- a device on 3G antennae so that their vertical tilt can be adjusted remotely.

Optimise electricity and paper consumption

Electricity consumption

Bouygues Telecom continued its efforts to reduce electricity consumption in its buildings by upgrading air conditioning systems and changing heat pumps. Electricity consumption in offices fell by 4% in 2007.

Paper consumption

Bouygues Telecom offers its customers e-billing. 22.4% of customers with consumer call plans had opted for e-billing by the end of 2007.

Efforts are also made to limit the amount of paper used for internal communications (the in-house magazine has fewer pages), office applications (29% reduction in paper consumption in offices between 2006 and 2007) and external communications (development of alternatives to paper).

Environmentally aware building design

Since 2006, Bouygues Telecom has been part of a group led by CSTB, the French building research centre, working to prepare a reference framework for HQE Operation to be issued in 2008. Bouygues Telecom will test the framework on two sites in March 2008 and ultimately intends to seek HQE certification for all its sites.

To save energy, Bouygues Telecom is planning to use the heat given off by mainframes (1,000 W per sq. metre on average) to produce domestic hot water and heat fresh air and the heat from desktop computers to heat office space.

Sustainable development corner

Commitment to society and employees

Promote health and safety

In the light of new scientific research published in 2007, Bouygues Telecom has stepped up the information provided to the public on how best to reduce exposure to electromagnetic fields, including measures such as using hands-free kits and choosing a handset with a low specific absorption rate (SAR). More information is available on a specific website in French, www.sante.bouygues telecom.fr.

All technical staff have been given training in radiofrequencies and health and their occupational exposure to electromagnetic fields has been monitored. The results showed that the level of exposure was comparable to that generally found in the general public and therefore well below the regulatory limits.

2,000 staff training actions were undertaken in 2007, in areas such as first aid, operations in high places, fire prevention and road safety.

The company has also designed a warning and localisation device that quickly alerts local emergency services if a network technician gets into difficulty. Acoustic baffles have been installed to improve working conditions for customer advisers.

Staff and the health and safety committee have contributed to the design of workspaces in the company's future headquarters and technical centre, in areas such as acoustics, lighting, waste management, fire safety, accessibility for disabled workers, etc.

Support customers in their mobile phone use

Protect children from harmful content

In 2007, Bouygues Telecom extended the parental control already available on i-mode to WAP. Parental control is also systematically offered at points of sale for new customers, even if they are not minors. Communications with customers have been reinforced with the provision of information on the company website.

Give disabled people access to mobile telephony

Eighteen Bouygues Telecom stores were adapted in 2007 to make them accessible to people with motor disabilities. A specific visual pathway was installed in two stores to make it easier for sight-impaired people to access the store and move around within it.

Earth Challenge

Consumer protection

Bouygues Telecom has opted to focus on call plan overruns and excess consumption in order to satisfy customers by offering them the product best suited to their consumption patterns, especially on the occasion of consumption reviews. For customers with high levels of excess consumption, the company has introduced a system for detecting overruns and providing support.

182 stores with disabled access

Favour equal opportunity

Diversity in the workforce

In 2007, Bouygues Telecom continued its commitment to non-discrimination.

- It concluded an agreement on the management of older staff so that all employees can follow an appropriate career path. Amongst other measures, it provides for a mid-career interview, including a review of skills and options.
- It signed the diversity charter applicable to recruitment and career management.
- Under the terms of the gender equality agreement, Bouygues Telecom proposes an interview to prepare the ground for women taking and returning from maternity leave.

Integration of disabled employees

Action in 2007 focused on integrating disabled employees and keeping them in employment. Bouygues Telecom greatly increased its business with the sheltered sector – the amount of sales more than doubled – and the number of disabled employees was 12% higher than in 2006.

The agreement on integrating disabled employees and keeping them in employment was approved by the local department of work, employment and training in November 2007. The company has created a disability task force to coordinate and monitor the company's actions relating to disabled employees.

Skills development

Employees are encouraged to leave their CV on a secure intranet to validate their acquired skills. The resource helps careers committees to optimise skills management.

Responsible purchasing

Over 60 buyers had been given awareness-raising and training in responsible purchasing by the end of 2007, covering aspects such as assessment of the social and environmental risks of their portfolio, the criteria for including new products in listings and ways of improving suppliers' performance.

Bouygues Telecom is currently testing software to assess suppliers' corporate social responsibility (CSR) on a panel of over 100 suppliers.

Monitor the origin of products

The social audit programme continued in 2007 with six new audits in low-cost countries, most of them of tier-two suppliers. Outcomes included a temporary freeze on orders, requests for corrective action or even delisting.

Support good citizenship initiatives

In 2007, the Bouygues Telecom corporate foundation continued to support projects to raise awareness and forge links between people in three fields:

- support for people in medical or social difficulty;
- environmental protection, especially renewed support for the Nicolas Hulot Foundation's Earth Challenge;
- promotion of the French language.

Testimonial

Magali Lacour,
Bouygues Telecom employee, member of AFDE*

"I have a little boy with a very rare genetic disease for which there is a small nationwide charity, AFDE. Amongst other things, the disease prevents sufferers from sweating. When I found out that my company supports good causes, I saw a great opportunity for helping me in my work for children with the disease and for my son. The president of the charity and I put together a project that we submitted to the Bouygues Telecom Foundation. They gave us a donation of €5,000 which helped to turn a plan to give the children a holiday into reality. 15 children went off to a holiday camp with all the necessary medical assistance but without their parents. A real holiday, just like other children! €5,000 is as much as our charity reckons to raise from other donors in a year. Thanks to the Foundation, for a week a few kids were able to forget that they were ill."

(*) French Ectodermic Dysplasia Association

This symbol refers to an indicator in the sustainable development indicators or non-financial indicators.

Testimonial

Valérie Gérôme,

internal communications manager, Ericsson France*

"A practical first step has already been taken following the survey. Bouygues Telecom wanted an overall, long-term picture of Ericsson's strategy for reducing the energy consumption of its equipment, carrying out environmental audits of its products and introducing innovative solutions to help radio equipment blend into the environment as well as possible. We are convinced that these contacts provide a solid foundation for extended cooperation between our companies in the field of corporate social responsibility"

(*) Valérie Gérôme replied to a CSR evaluation survey conducted for Bouygues Telecom

One unique feature of the Bouygues Telecom Foundation is that it relies on staff involvement. In 2007, 313 volunteers took part in the Foundation's actions and support was provided to six charities sponsored by employees.

Management system

Quality-driven management

Bouygues Telecom aims to ensure complete customer satisfaction. To constantly improve customer satisfaction, the company is introducing an integrated management system covering all quality, safety and environment issues in harmony with corporate strategy.

In 2007, AFAQ/AFNOR renewed its NF Service certification for quality of service at the company's customer relations centres. Bouygues Telecom also won first prize in the 2007 TNS Sofres–BearingPoint customer relations league tables in the mobile telephony category.

Bouygues Telecom has chosen the European Foundation for Quality Management (EFQM) reference framework, based on self-assessment, to provide managers with appropriate resources and a progress-oriented approach spanning all stakeholders.

Dialogue with stakeholders

As a partner of the Solidays and Les Méditerranéennes music festivals during the summer of 2007, Bouygues Telecom carried out a campaign to raise awareness of handset recycling and environmentally friendly mobile phone use among festival-goers.

To enhance relations with consumer bodies, a specific extranet site has been set up. Intended to become a preferential and exclusive link with consumer organisations, it contains a large number of the contractual, marketing and informational documents about the company that such organisations need in order to provide their members with the best advice.

In the 2006 employee perception survey, 93% of respondents said that Bouygues Telecom was a socially responsible employer. Three-quarters of staff consider that diversity is a reality within the company. It was as a result of the survey, in which employees raised issues about pay, that the company decided to give every employee an individual overall pay review.

Bouygues Telecom came second in JDN Management's ranking of the top ten most pleasant hi-tech companies to work in.

9 million customers in November 2007

Outlook for 2008

Rollout of the HSPA network will be stepped up to meet businesses' growing demand for data services.

The agreement with Neuf Cegetel will pave the way for the launch of **converged services** for business customers in the first half of 2008 and for consumers in the second half of the year.

The 8% cut in Bouygues Telecom's call termination rates from 1 January 2008 will curb growth in **sales from network,** as in previous years, although the figure is still expected to rise by 3% over the year to €4.6 billion.

Within the framework of the **carbon balance** in 2007, several initiatives will be taken to involve suppliers in a joint effort to reduce greenhouse gas emissions.

New ways of limiting business travel and electricity consumption will also be introduced.

Following on from the Grenelle Environment Forum, Bouygues Telecom and AFNOR will lead the task force on **standardisation of connectors.** The aim is to reach an agreement between all the parties involved (manufacturers, consumer organisations, operators) that can then be extended to the whole of Europe.

Non-financial indicators by business

Family	Indicator	Scope	Unit	2005	2006	2007	Reporting framework
Foster a trusting relationship with our clients	Percentage of completed projects for which customer satisfaction surveys have been conducted	Global	%			33	GRI PR 5
	Percentage of sales covered by triple QSE certification	Global	%		47	57	GRI PR 1
Implement a quality management system (QMS)	Percentage of sales covered by an ISO 9001 certified QMS	Global	%	94	96	90	
Involve suppliers and subcontractors in our sustainable development policy	Percentage of sales generated by operating units with an action plan to involve subcontractors in the QSE approach	European subsidiaries excl. Bâtiment International and Bouygues TP	%			58	Internal
	Percentage of sales generated by operating units that systematically include the sustainable development charter in their contracts with subcontractors or suppliers	European subsidiaries excl. Bâtiment International and Bouygues TP	%			38	
Increase preventive safety measures	Percentage of sales covered by a safety management system (SMS) with ILO, OHSAS 18001 or equivalent certification	Global	%	22	71	75	GRI PR 1
	Frequency rate of industrial accidents	Global		11.50	12.82	14.76	GRI LA 7
	Severity rate of industrial accidents	Global		0.50	0.54	0.50	
	Number of deaths during the year as a result of an industrial accident	Global		6	2	10	
	Frequency rate of industrial accidents involving temporary site workers	France		19.64	19.64	27.88	Internal
	Frequency rate of road accidents with the company vehicle fleet involving third parties	Global	accident/ vehicle	16.1	15.9	15	
Monitor career paths	Employees receiving regular performance and career development reviews	France	%	84	86	81	GRI LA 12
Develop skills	Employees who received training during the year	Global	%			40	GRI LA 10
	Managerial staff who received training during the year	France	%			69	
	Clerical/technical/supervisory staff who received training during the year	France	%			65	
	Employees in managerial positions outside France who received training during the year	International only	%			21	
	Site workers who received training during the year	Global	%			31	
Encourage diversity	Percentage of women	France	%		12.6	14	GRI LA 13
	Percentage of women in senior managerial positions	France	%			6	
	Percentage of women in managerial positions	France	%		17	17	
	Percentage of female clerical/technical/supervisory staff	France	%			32	
	Percentage of female site workers	France	%			1	
	Number of disabled employees on permanent contracts	France			357	449	Internal
	Sales of work performed by the sheltered sector during the year	France	€			380,000	
Participate in economic and social life	Number of operations carried out during the year in cooperation with local retraining bodies	France			97	157	
	Number of partnerships supporting education and health during the year	Global			75	175	

Financial and business challenges ■ Social/HR challenges ■ Environmental challenges

Family	Indicator	Scope	Unit	2005	2006	2007	Reporting framework
Implement an environmental management system (EMS)	Percentage of sales covered by an ISO 14001 certified EMS	Global	%	36	59	61	GRI PR1
Design and develop buildings with high environmental performance	Percentage of the R&D budget devoted to sustainable construction	Global	%		21	21	Internal
	Total number of buildings with high environmental performance in the order intakes for the year	Building activities France and international				101	
	Total number of buildings with high environmental performance where Bouygues Construction is the designer in the order intakes for the year	Building activities France and international				30	
Reduce energy consumption	Fuel consumption of the company's light commercial and passenger vehicle fleet	France	millions			22	GRI EN 3
Minimise disturbance for local residents	Percentage of work sites taking action to listen to or communicate with local residents, or to assess their satisfaction	All activities excl. civil works	%			46	Internal

Bouygues Immobilier

Family	Indicator	Scope	Unit	2005	2006	2007	Reporting framework
Employee share ownership	Average amount of employee profit-sharing	France	€			1,664.46	GRI
	Employee shareholders	France and Europe	%			68.34	GRI
Quality	Percentage of book sales covered by a quality management system (including ISO 9001 certified facilities)	France and Europe	%			97.90	GRI 3.2
Diversity and discrimination	Women in managerial positions at 31/12 (permanent and fixed-term contracts, including work/study contracts and apprenticeships)	France and Europe	%			33.40	Internal
	Disabled employees at 31/12 (permanent and fixed-term contracts)	France and Europe	Employees			4	
Jobs	Net job creation at 31/12 in absolute terms (permanent and fixed-term contracts)	France and Europe	Employees			300	GRI LA 2
Training	Employees who received training (workforce at 31/12)	France and Europe	%			73	GRI LA 10
	Training	France and Europe	Number of hours			31,407	
	Average number of hours per trainee	France and Europe	Hours/trainee			28	
	% of annual payroll	France and Europe	%			3.70	
Sponsorship and charitable work	Expenditure	France and Europe	€			724,000	Internal
EMS	Percentage of book sales covered by an environmental management system (EMS) (including ISO 14001 certified facilities)	France and Europe	%			13.60	GRI 3.2
Energy	Direct electricity consumption	France (consumption billed only)	kWh/employee			3,858	GRI EN 3
Water	Total water consumption per employee	Headquarters	Cu. metre/ employee			13	GRI EN 8

■ Financial and business challenges ■ Social/HR challenges ■ Environmental challenges

	Family	Indicator	Scope	Unit	2005	2006	2007
(*)	Workforce	Average workforce	France	Employees	33,193	34,505	37,160
			International		26,983	27,773	29,564
			Global		60,176	62,278	66,724
	Hiring	Site workers	Global	Employees	3,550	5,100	5,300
		Managerial staff	Global		1,650	1,900	2,800
		Total	Global		5,200	7,000	8,100
		Interns	Global		2,500	2,650	2,600
	Women	Site workers	France	%	0.70	0.40	0.50
			International		5.07	5.70	5.88
		Managerial staff	France		18.60	18	18.40
			International		24.05	24.40	21.85
		Total	France		7.80	7.50	7.50
			International		9.39	10.80	9.39
	Pay	Workforce	France	Employees	30,000	31,846	34,115
		Average pay, Colas plant operator		Multiple of statutory minimum wage	1.45	1.48	1.49
		Average pay, Colas site manager		Multiple of statutory minimum wage	2.00	2.04	2.09
		Workforce	United States	Employees	-	4,884	4,973
		Average pay, Colas plant operator		Multiple of statutory minimum wage	-	3.99	3.76
		Average pay, Colas site manager		Multiple of statutory minimum wage	-	5.49	4.62
		Workforce	Madagascar	Employees	4,100	4,102	4,327
		Average pay, Colas plant operator		Multiple of statutory minimum wage	5.00	5.26	5.64
		Average pay, Colas site manager		Multiple of statutory minimum wage	7.40	8.00	8.37
	Safety	Occupational safety index	France	-	9.61	9.53	7.27
			International	-	2.30	2.06	1.84
		Road accidents (number of accidents involving a third party per vehicle)	France	%	0.104	0.097	0.094
		Percentage of total workforce with up-to-date occupational first-aid training	Global	%	20	21	21
	Local dialogue	Percentage of sales from materials production sites covered by a local dialogue structure	Global	%	-	28	17
	Certification	Quality (percentage of sales)	Global (excl. US)	%	-	85	85
		Environment (percentage of materials production sales)	Global		-	49	42
(*)	Recycling	Quantity of raw materials recycled in Colas plants in relation to output from Colas quarries and gravel-pits	Global	%	-	11	12
		Percentage of planed materials in production of asphalt mix	Global		-	8	9
	Vegecol	Number of projects completed	Global		60	350	450
		Tonnes applied	Global	Tonnes	600	1,600	2,400

■ Social/HR challenges ■ Environmental challenges

(*) All Colas indicators refer to an internal reporting framework.

Family	Indicator	Unit	2005	2006	2007	Reporting framework
Customer relations	Number of answers about radiofrequencies and health to:					GRI PR1
	- letters		454	614	429	
	- e-mails		243	402	286	
	Number of electromagnetic field measurements requested by stakeholders		388	510	429	
Employee share ownership	Membership of company savings plan (at 31/12)	%	61	68	67	
Women	Women in managerial positions (at 31/12)	%	34	34 of managerial staff	33 of managerial staff	
Disabled people	Disabled employees (at 31/12)	Employees	72	108	121	
	Disabled people hired	Employees	16	45	26	
	Sales with the sheltered sector	€	167,000	265,000	618,000	
Absenteeism	Total hours off work/total working hours (excl. maternity leave)	%	3.80	3.50	3.60 (end-November 2007)	
Accidents	Frequency rate		1.36	1.65	1.66	GRI LA 7
	Severity rate (o/w number of deaths, subcontractors included)		0.052	0.056 (1 death at a subcontractor)	0.040	
	Industrial accidents	Number	43 (o/w 18 with time off)	41 (o/w 21 with time off)	39 o/w 20 with time off	
	Accidents on the way to and from work	Number	62 (o/w 37 with time off)	49 (o/w 26 with time off)	59 o/w 34 with time off	
Training	Training hours	Hours	197,979	185,329	184,481	GRI LA 9
	Employees receiving training	%	89	91	92	
Solidarity	Solidarity spending	€	560,000	960,000	950,000	
Health	Action plans				• Involvement in prevention programmes (healthy living, smoking, etc.) as part of national initiatives carried out at health and social services of Bouygues Telecom's sites • Flu prevention plan	
Society	Awards received in recognition of social, ethical and environmental performance		Economical and clean technologies award		Second in the JDN Management Top 10 best-to-work-for high-tech companies	
					First prize for Customer Relations 2007 - TNS Sofres-BearingPoint (mobile phone sector)	
Base stations	Number of base stations whose integration into the environment has been assessed	Aggregate	3,242	8,638	10,797	GRI EN 14
Recycling	Recycled handsets:	Number				GRI EN 15
	- collected in stores		20,938 (June to Dec.)	49,497	118,345	
	- through after-sales		102,344	87,261	40,202	
	- business customers				1,860	
	- employees				1,817	
	- internet				9,301	
	Weight of recycled network equipment	Tonnes				GRI EN 11
	- batteries		58	25	13	
	- excl. batteries		117	84	138	
Consumption	Electricity consumption per occupied workstation in offices	MWh	4.59	4.02	3.87	GRI EN 3
	Paper consumption per occupied workstation	Number of reams	8.38	7.49	5.77	GRI EN 1

■ Financial and business challenges ■ Social/HR challenges ■ Environmental challenges

NB: TF1's non-financial indicators appear in its 2007 annual report, available on the tf1.fr website.

Bouygues SA

The parent company of an industrial group, Bouygues SA focuses entirely on 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.

Fostering exchanges and maximising the benefit of accumulated experience

2007 sales	Operating loss	Net profit	Employees
e 68m (+13%)	e 30m (-20%)	e 751m (+25%)	177

Internal control

Drawing on the recommendations and the reference framework published by the AMF on 22 January 2007, Bouygues SA launched a major project in 2007 to analyse and optimise internal control throughout the Bouygues group.

A full account of the project is given in the Chairman's report on internal control (see *Legal and financial information*).

Management – Senior management changes

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

Changes took place in 2007 at the head of a number of the Group's businesses.

At Colas, Hervé Le Bouc replaced Alain Dupont as Chairman and CEO.

Olivier Roussat was appointed CEO of Bouygues Telecom, with Philippe Montagner remaining as Chairman. Emmanuel Forest and Richard Viel were appointed Deputy CEOs.

At TF1, Nonce Paolini was appointed CEO, with Patrick Le Lay continuing as Chairman. The new heads of these major subsidiaries have spent most of their career with the Group. They have all held senior positions in the businesses they now run and have benefited from a transition period alongside their predecessors.

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, communications, new technologies, insurance, legal affairs, human resources, etc. For that purpose, Bouygues SA concludes annual agreements with its businesses under which it invoices them for services rendered.

Acquisition of BNP Paribas' stake in Bouygues Telecom

Under the terms of agreements signed on 21 June 2005, on 10 September 2007 Bouygues acquired BNP Paribas' 6.5% stake in Bouygues Telecom for €441 million, taking its own stake in the company to 89.5%. In accordance

The lobby of Bouygues SA's headquarters

with IFRS, the equity interest and the corresponding debt have been included in Bouygues' consolidated financial statements since 30 June 2005.

Acquisition of Alstom shares

Taking advantage of market opportunities, Bouygues has acquired shares in Alstom. Bouygues' stake in Alstom rose from 25.35% on 30 June 2007 to 30% on 29 February 2008.

Financial transactions – Employee savings

It is an article of faith at Bouygues that Group employees should be closely associated with the success of their companies, in which they play a key role.

In view of the Group's good results in 2006 and bright prospects for 2007, in December 2006 the Board decided to carry out an employee-only capital increase. The programme, called Bouygues Partage, was completed in January 2007 and was a great success, since 76% of the eligible workforce subscribed, representing over 53,000 employees. 6,371,520 shares were created for €232 million. Designed so that each employee would have access to the same number of shares, the Bouygues Partage scheme combined three advantages: a 20% discount for the subscription of three Bouygues shares; an employer's matching contribution equivalent to the purchase price of nine shares per investor; and gearing, to take the number of subscribed shares to 120.

In sum, for the purchase price of three shares (€109.32) and after five years, employee shareholders will hold 12 shares plus a portion of the capital gain on the 108 other shares.

In August 2007, the Board decided to carry out a second capital increase reserved for Group employees, called Bouygues Confiance 4. A leveraged transaction, it was also highly successful, since 50% of the eligible workforce subscribed, representing over 37,000 employees. 6,947,662 shares were created for €300 million. Employees have thus been given the opportunity to participate in five leveraged capital increases in nine years. Employees were Bouygues' second-largest shareholder group at 29 February 2008, holding 14.2% of the capital and 18.3% of the voting rights and making Bouygues the CAC 40 company with the highest level of employee share ownership.

Financial flows

In 2007, Bouygues SA received dividends totalling €896 million from its subsidiaries as follows:

- Bouygues Construction: €140m
- Bouygues Immobilier: €75m
- Colas: €200m
- TF1: €78m
- Bouygues Telecom: €372m
- Alstom: €28m
- Other: €3m

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.

The Group has not been affected by the financial crisis that began in the second half of 2007. When investing surplus cash, Bouygues has always avoided speculative instruments like securitisation vehicles, hedge funds, etc.

Research and development

Bouygues SA has a research and development arm, the e-Lab, which provides assistance with innovation and decision-support projects in the Group's businesses. It has worked on a number of projects in areas such as the scheduling of finishings in construction projects and the optimisation of advertising slots for TF1.

The unit stepped up its work on new technologies in 2007. For example, a recommendation engine has been set up with the Wat website (www.wat.tv).

The e-Lab also helps to stimulate innovation within the Group, heading up and coordinating an innovation network that has more than 350 members with responsibilities not only in technical fields and R&D but also in marketing and strategy. Working groups have been organised, together with half-day seminars on topics like sustainable development and raising awareness of innovation among employees.

The e-Lab also helps Bouygues entities to keep abreast of technological advances by encouraging links with innovators outside the Group. It cooperates with start-ups, researchers and manufacturers as they bring their projects to fruition, then puts them into contact with the appropriate subsidiaries within the Group.

Other activities

Finagestion, the subsidiary which took over Saur's equity interests in a number of African companies, reported consolidated profit in line with forecasts in 2007. Sodeci, which distributes water in Ivory Coast, had its contract renewed for 15 years. Siza, a South African subsidiary, was sold.

Two high-growth businesses

Growth and improved profitability – World rail speed record

Bouygues acquired Alstom shares in 2007, raising its stake from 25% on 1 January 2007 to 30%. Alstom and Bouygues increased their cooperation to better meet demand for rail transport and power generation equipment and services worldwide.

3 April 2007: the V150 trainset beats the world rail speed record

FIGURES FOR THE FIRST HALF OF FY 2007/08

2007 sales	Current operating margin	Net profit att. to the Group	Orders received	Employees
€8,004m (+21%)	7.2% (+0.9 point)	€388m (+49%)	€12,847m (+33%)	approx. 70,000

Highlights

Major contracts concluded

- **August:** turnkey combined-cycle power plant in Staythorpe, England (€850m). Power and desalination plant in the United Arab Emirates (€1bn).
- **July:** 360 subway cars for the city of New York (approx. €500m).
- **June:** 80 double-decker TGV* trains for SNCF (€2.1bn); Britain's largest combined heat and power plant on the Isle of Grain (€580m); contracts with Statoil (Norway) and E.ON (Sweden) to test CO_2 capture technologies.

Record

- **April:** world rail speed record (574.8kph) with the V150 TGV* trainset.

(*) TGV is a registered trademark of France's national railway company, SNCF

Non-exclusive cooperation agreement between Bouygues and Alstom

On 26 April 2006, Alstom and Bouygues concluded a commercial and operational cooperation agreement. By sharing best practice in project management and pooling their commercial resources, the two groups plan to jointly develop integrated projects worldwide as they arise, drawing on Bouygues' expertise in civil engineering as well as Alstom's know-how in equipment and services for power generation and rail transport. However, the cooperation agreement does not contain any exclusivity clause. The two groups will continue to work with the partners that are best suited to each project in the interest of their clients.

As part of the process of establishing cooperation between the two groups, Bouygues also invested €150 million in a 50% stake in Alstom Hydro, the world's leading supplier of hydropower generation equipment. Bouygues is interested in the hydropower market since civil engineering is a major component of the construction of such plants. A clause in the agreements between the two groups gives Bouygues the option of selling its stake to Alstom if the Board blocks certain decisions or during a 20-day period after 31 October 2009.

Bouygues as an Alstom shareholder

Under this partnership, on 26 June 2006 Bouygues acquired the French government's stake in Alstom, representing 21.03% of the capital, at a cost of €2 billion. Bouygues gave a commitment to keep the shares bought from the government for at least three years.

Major recruitment drive

Bouygues subsequently raised its stake to 25.1%, then to 30.07% in 2007. The interest in Alstom is consolidated by the equity method. Alstom's net contribution to Bouygues' consolidated profit at 31 December 2007 amounted to €187 million.

Overview of Alstom

Alstom is an international group with about 70,000 employees and operations in more than 70 countries around the world. Its financial year ends on 31 March. In 2006/07, it reported sales of €14.2 billion in its two lines of business, Power and Transport. In 2006/07, the group generated 49% of its sales in Europe, 18% in Asia-Pacific, 23% in North and South America and 10% in Africa and the Middle East.

Alstom has more than 250,000 shareholders.

Power

Alstom's Power Systems and Power Service Sectors offer the most comprehensive and technologically advanced ranges of systems, equipment and services available in the power generation industry to meet the growing demands of their clients, covering the installation of all-new equipment, the upgrading of existing facilities and long-term maintenance. Alstom is in third place on the global market. Its main competitors are General Electric, Siemens and Mitsubishi. It also faces competition from other players on certain market segments.

Alstom's competitive advantage springs from its presence in all types of power generation, including gas, coal, hydro, wind and conventional islands for nuclear power plants. Alstom technology equips over 25% of conventional islands in nuclear power plants worldwide. Specialising in the management of turnkey projects, the group is also able to optimise power plant performance. At the same time, Alstom leads the way in clean-coal combustion technologies and, more generally, in high-performance and cost-saving pollution control systems. These enable its clients to ensure compliance not only with current environmental standards but also with those of the future. Alstom estimates that one-quarter of the world's thermal power plants contain at least one item of equipment supplied by the group. This experience is essential in the service sector, where Alstom upgrades existing plants (mainly its own facilities). The Power Service Sector provides life-cycle maintenance. Its main competitors are General Electric, Siemens and Mitsubishi, which tend to concentrate on servicing their own equipment. The Power Service Sector also gives the highest priority to systems and services that make power plants both cleaner and more efficient. Alstom is the world's leading supplier of hydropower equipment, with around 25% of the market.

Transport

The Transport Sector offers the most complete range of systems, equipment and services in the railway market. The world's leading supplier of very high-speed trains, Alstom is also well-positioned in tram and underground systems, regional trains, high-speed intercity connections, signalling, infrastructure and all related services.

The group is advantageously placed in relation to its main competitors, Bombardier and Siemens. Alstom has staked out a position as a leader in advanced technologies, including rail traffic management, automatic light metros, ground-level switched contacts for tramways and AGV fourth-generation very high-speed trains, capable of carrying 450 passengers at a commercial speed of 360kph.

Alstom's business activity in 2007

In the year to 31 March 2007, orders taken by Alstom increased by 24% (34% like-on-like) to €19 billion, bringing the order book to €32.3 billion (up 20% in real terms, and 22% like-on-like).

Alstom has about 70,000 employees

Alstom is the world's third-largest power operator

The trend was confirmed in the first nine months of FY 2007/08, since Alstom booked orders worth €19.9 billion, an increase of 38% on the same period in the previous year (40% like-on-like). The order book at 31 December 2007 amounted to €40.6 billion, the equivalent of about 30 months' sales.

The order intake for Power Systems was €10.2 billion for the first nine months of 2007/08, a 28% increase (30% like-on-like) compared to the same period of the previous year. This excellent commercial performance underlines the strength of the Sector's strategic positioning in a dynamic market environment. Orders in the Power Service Sector remained strong at €3.4 billion, a 6% increase both in real terms and like-on-like. The book-to-bill ratio of 1.3 confirms the favourable trend in service activities.

A number of major contracts were concluded during the year:

- construction of Britain's largest combined heat and power plant on the Isle of Grain (€580 million);
- in Brazil, a combined-cycle power plant fuelled by blast furnace waste gas (€330 million);
- a turnkey contract to build a gas-fired power plant in Algeria (€300 million);
- construction and maintenance of a turnkey combined-cycle power plant in Staythorpe, England (€850 million);
- planned construction, as leader of a consortium, of a power and desalination plant in the United Arab Emirates (€1 billion);
- supply of equipment for hydropower plants in Brazil and China (approx. €350 million);
- six steam turbine and turbo generator packages for Medupi, South Africa's biggest coal-fired power plant (over €1.4 billion).

The Transport Sector also achieved excellent commercial performance in 2007. Orders for the first nine months of 2007/08 rose to €6.2 billion, double the amount in the same period of the previous year. Major contracts included:

- 80 double-decker TGV trains for SNCF (€2.1 billion);
- 360 subway cars for the city of New York (approx. €500 million);
- four high-speed Pendolino trains for the Helsinki to St. Petersburg rail link (€120 million);
- fleet maintenance for London Underground's Jubilee Line (€117 million);
- 30 commuter trains for RENFE, the Spanish rail transport operator (€220 million).

Acquisitions – Partnerships – Investments

In 2007, the group finalised a number of acquisitions or partnerships of great importance for the implementation of its strategies.

Alstom announced an agreement concerning the acquisition for US$242 million of Power Systems Manufacturing, a Florida-based high-tech company with a leading position as a provider of improved gas-turbine parts and low-Nox upgrade solutions for gas turbines. With a team of highly-qualified engineers, the company reported sales of approx. US$70 million in 2006.

Completing its range of power generation technologies, Alstom finalised the acquisition of Spanish wind turbine company Ecotècnia for €350 million (enterprise value) on the basis of results at 1 January 2007. Ecotècnia is expected to generate sales in excess of €350 million in 2007, half of them in Europe outside Spain, giving Alstom a foothold in a fast-growing market segment.

Alstom has created a joint venture with RENFE in Spain to provide train maintenance services. Alstom will own a 51% stake in the

The Three Gorges Dam in China

company, which strengthens the Transport Sector's service activities, a segment expected to grow rapidly over the next ten years.

Alstom and Transmasholding, the leading supplier to Russian Railways, signed a cooperation agreement for the production of railway components up to rolling stock for the Russian market. To jointly meet growing demand for the construction of nuclear power plants, a joint venture has also been created with Atomenergomash, a subsidiary of the State agency responsible for implementing Russia's civilian nuclear power strategy. The two partners will together invest €300 million in the form of assets and cash.

Alstom acquired 51% of Wuhan Boiler Company, a Chinese company listed on the Shenzhen stock exchange, for €32.8 million. Making boilers for coal-fired power plants in China and elsewhere, the company has been an Alstom partner for ten years and generates annual sales of around €200 million. Exports are ultimately expected to account for 35% of output. Alstom also acquired Quingdao Sizhou, a market leader in China for boiler auxiliaries with annual sales of over €50 million.

Alstom has announced its intention of building a new facility in Chattanooga, Tennessee, US, to manufacture steam and gas turbines, generators and related equipment. Costing more than US$200 million, this major investment will enable the group to expand its manufacturing and engineering capacity in order to meet growing demand for power generation, especially in the Americas.

Alstom's results

Alstom's results show that strong growth in activity was matched by an equally favourable improvement in profitability.

FY 2006/07

Alstom achieved the targets it set itself in FY 2006/07: an operating margin of 6.7% and an operating profit of €957 million (up 28% in real terms and 40% like-on-like); free cash flow of €745 million, compared with €525 million a year earlier, an increase of 42%; a reduction in net debt to €64 million at end-March 2007; and first-half net profit attributable to the group of €448 million, compared with €178 million in the previous year, an increase of 152%.

First half of FY 2007/08

Results for the first half of FY 2007/08 confirm that the group continues to combine growth with improved profitability: half-year sales at 30 September 2007 amounted to €8 billion, up 21% on the same period of the previous year (22% like-on-like). The operating margin rose from 6.3% in the first half of FY 2006/07 to 7.2% and net profit attributable to the group increased by 49% to €388 million. The group generated exceptionally high free cash flow of €1,248 million (up 67%).

The Alstom share

The Alstom share price stood at €147 at the close on 31 December 2007, the last trading day of the year. This represented a rise of 43% over the year as a whole, making Alstom the third best performer among the CAC 40 companies in 2007.

Outlook

Sales in full-year 2007/08 are likely to increase by 15% through organic growth, while the operating margin is expected to rise to about 7.5% after a further improvement in the second half of the year.

Highlights since 1 January 2008

Design for Broomfield Hospital

Bouygues Construction

Bouygues UK and Ecovert FM, two British subsidiaries of Bouygues Construction, signed a contract worth nearly €400 million to design, build, operate and maintain the 43,000-sq.-metre **Broomfield Hospital** near London (€200 million for construction, €180 million for facilities management services).

In Asia, Bouygues Travaux Publics recently won a concession contract to build and operate **Busan Harbour** in South Korea. The value of the work to be done by Bouygues Travaux Publics amounts to €250 million.

In France, Bouygues Bâtiment Ile-de-France has signed a contract worth more than €300 million to renovate the 87,000-sq.-metre **Axa Tower,** which at 218 metres will become the tallest building in the La Défense business district near Paris.

Bouygues Construction has concluded a new public-private partnership contract to design, build, finance, maintain and provide FM services for **three prisons.** It is France's biggest PPP contract to date.

Bouygues Construction has also been awarded the contract to **extend the Grésillons sewage treatment plant** in the Paris region. On completion, the HQE-certified plant will be capable of handling the daily sewage discharge of a population-equivalent of 1.5 to 2 million people.

Bouygues Immobilier

Bouygues Immobilier has sold the **Eqwater office building** in the heart of the new Seine Ouest business district in Issy-les-Moulineaux to DekaBank, a German investor, for €160 million.

Bouygues Telecom

Bouygues Telecom has launched its new mobile internet offer, including free unlimited reception of personal e-mails (including attachments) on mobile phones for all customers. For €9.90 a month, the **Web & Mail option** offers customers with an unlocked call plan unlimited mobile internet surfing, enabling them to send and receive e-mails with attachments.

Bouygues Telecom has also launched **the new Neo plan.** Neo is now a complete suite of solutions in which users can find the plan that best suits their needs, choosing one of five time slots for the start of their unlimited call feature. Calls to French overseas departments, Europe and the United States are included in the plan at the same rates as calls to numbers in metropolitan France.

Alstom

Alstom has concluded a number of major contracts.

It has won a second major contract with Eskom, worth more than

Renovation of the Axa Tower

€1.3 billion, to provide **equipment for a 4,740 MW coal-fired power station** in South Africa. It will be booked in the first half of FY 2008/09. Electrabel Nederland has awarded Alstom a **turnkey contract for a GT26-based combined-cycle power plant** worth more than €400 million.

Alstom, together with its US partners the Electric Power Research Institute (EPRI) and We Energies, has launched an **innovative project that uses chilled ammonia to capture carbon dioxide.** Alstom has also concluded a partnership with Dow Chemical to develop a **carbon dioxide capture technology using amine scrubbing.**

The Transport Sector has also won major contracts, including infrastructure for a **rail line** in the southern suburbs of Tunis (€36 million), **126 subway cars** for the Chinese city of Nanjing (€25.5 million) and **18 X'Trapolis commuter trains** for Melbourne, Australia (€160 million). Argentina has chosen an Alstom-led consortium to **build the first very high-speed line in Latin America.** The award is the penultimate stage in the project and the contract is due to be finalised in the next few months.

On 5 February 2008, Alstom unveiled **the prototype of the AGV,** its latest new-generation, very high-speed train. The single-deck, state-of-the-art train incorporates articulated carriages, a technology which contributed to the success of France's TGV, and a new distributed drive system. It will be capable of reaching a commercial speed of 360kph.

The Italian rail operator Nuovo Trasporto Viaggiatori (NTV) has ordered **25 AGV trains** at a cost of €650 million. The contract includes **maintenance of the trains** for a 30-year period, not included in the amount, and an option for 10 additional trains.

A ruling by the Quebec Superior Court upheld Alstom's claim that it was **entitled to bid for a contract** to renew Montreal's fleet of subway cars.

Unveiling of the AGV