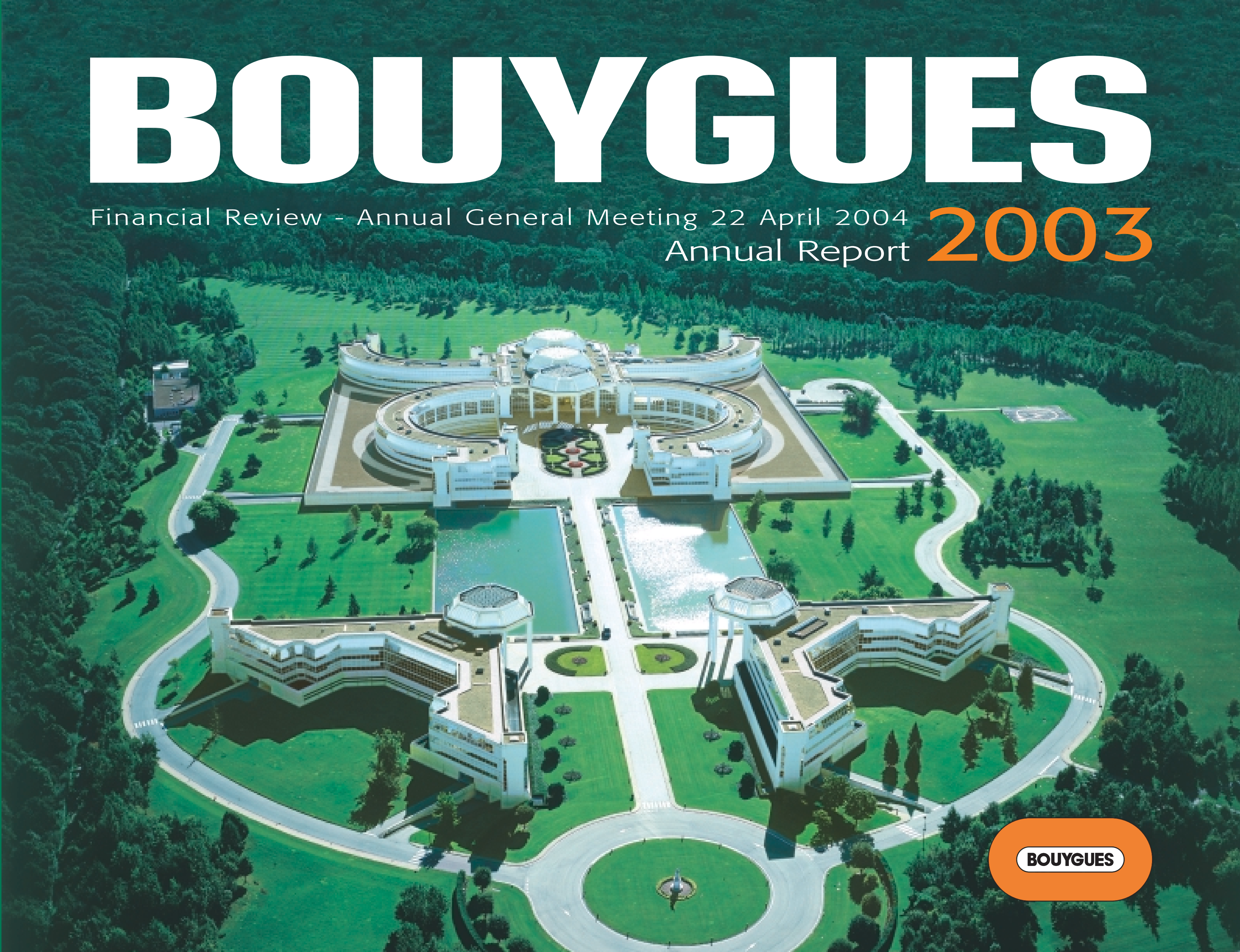
# BOUYGUES

Financial Review - Annual General Meeting 22 April 2004

Annual Report 2003



# Concordance

## Financial Review
## (COB Bulletin March 2003 - n° 377)

## *Business activities*



## *Environmental and social information - Risks*



## *Legal and financial information*



## *Accounts*



## *Annual General Meeting on 22 April 2004*



This document is a free translation of the annual report filed with the Autorité des Marchés Financiers on 31 March 2004.
It may be used in support of a financial transaction if supplemented by a stock exchange prospectus.

*"Strong 2003 earnings that prepare us well for the future"*

In 2003 we reaped the benefits of the very large capital outlays Bouygues has made since 1999 – 4.8 billion euros – to strengthen our several lines of business, in particular Bouygues Telecom, Colas, and TPS by way of TF1. Those investments have brought significant earnings growth and are set to go on doing so. In 2003 alone, the Group's net earnings increased by 41%, excluding the capital gain on sale of Bouygues Offshore in 2002. Every one of the Group's business areas contributed to this performance.

More than any other indicator, the Group's cash position provides an objective assessment of how solid our accounts are, and it has never been better. Cash increased by €400 million in 2003 despite the large investments (€1.1bn) that we made last year to increase Bouygues' stake in telecoms. Every one of our business areas improved its cash performance, without exception. Bouygues Immobilier posted positive net cash for the third year in a row, which is remarkable for a property developer.

2003 was excellent preparation for the earnings we can look forward to in 2004. Our order books are at record levels in both construction and roadworks, and the projects signed are of quality. Bouygues Construction's financial situation has now been set right by a major effort of reorganisation and budget discipline. 2003 also saw TF1's earnings improve quite significantly thanks not only to development of its core television business but also to TF1's diversification strategy, which is beginning to bear fruit. At Bouygues Telecom, having made our choice of i-mode™, developed by the world's leading mobile multimedia company NTT DoCoMo, we are seeing this standard achieve success in France, where already more than 570,000 customers have signed up for this new service.

We remain faithful to the values that have made Bouygues successful and guided our development for more than 50 years. Those values are expressed in an entrepreneurial approach that is prudent in its choices, creative in its proposals and responsible in its commitments. We are always concerned to satisfy our customers because that is a condition for satisfying our shareholders. Their confidence in us depends on our ability to work together harmoniously as a team to meet or exceed their expectations. This strong corporate culture, shared by all our business areas, is the source of the strength of the Bouygues group.

Martin Bouygues
Chairman and CEO

# Management team

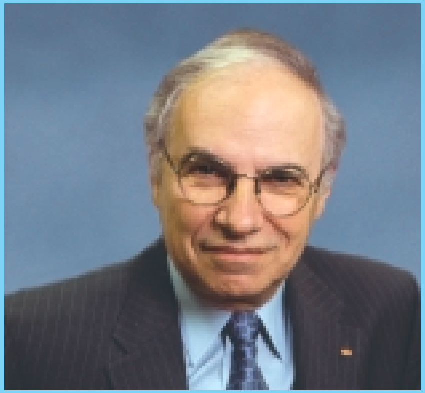
## General management

**Olivier Poupart-Lafarge**
*Deputy CEO*

**Martin Bouygues**
*Chairman and Chief Executive Officer*

**Michel Derbesse**
*Deputy CEO*

**Philippe Montagner**
*Executive Vice-President, Telecommunications*



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

**Jean-Claude Tostivin**
*Executive Vice-President, Human Resources*

**Pierre Daurès**
*Executive Vice-President*

## Business areas

**Yves Gabriel**
*Chairman and CEO, Bouygues Construction*

**Alain Dupont**
*Chairman and CEO, Colas*

**Olivier Bouygues**
*Chairman, Saur*

**François Bertière**
*Chairman and CEO, Bouygues Immobilier*

**Patrick Le Lay**
*Chairman and CEO, TF1*

**Gilles Pélisson**
*Chairman and CEO, Bouygues Telecom*

## Board of Directors

### Chairman and CEO

**Martin Bouygues**

### Executive Directors

**Michel Derbesse**
*Deputy CEO*

**Olivier Poupart-Lafarge**
*Deputy CEO*

**Olivier Bouygues**
*Deputy CEO, Utilities Management*
*Standing representative of SCDM*

### Directors

**Pierre Barberis**
*Deputy CEO, Oberthur Card Systems*

**Patricia Barbizet**
*Chief Executive, Artémis*

**Madame Francis Bouygues**

**Georges Chodron de Courcel**
*Deputy CEO, BNP Paribas*

**Charles de Croisset**
*Former Chairman, CCF*

**Lucien Douroux**
*Former Chairman of the Supervisory Board of Crédit Agricole Indosuez*

**Alain Dupont**
*Chairman and CEO, Colas*

**Yves Gabriel**
*Chairman and CEO, Bouygues Construction*

**Patrick Le Lay**
*Chairman and CEO, TF1*

**Jean Peyrelevade**
*Former Chairman, Crédit Lyonnais*

**François-Henri Pinault**
*Chairman, Artémis*

**Michel Rouger**
*Former President of Paris Commercial Court*

**Serge Weinberg**
*Chairman of the Management Board of PPR*

### Representatives of employee mutual funds

**Thierry Jourdaine**
*Representing employee shareholders*

**Carmélina Formond**
*Representing employee shareholders*

### Supervisor

**Philippe Montagner**

## Board committees

### Accounts committee

Michel Rouger *(Chairman)*
Patricia Barbizet
Georges Chodron de Courcel

### Selection committee

Jean Peyrelevade *(Chairman)*
Serge Weinberg

### Remuneration committee

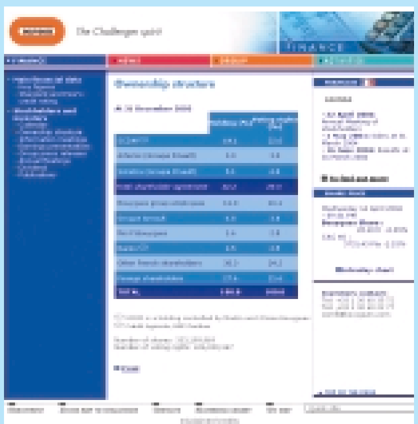
Pierre Barberis *(Chairman)*
Patricia Barbizet

### Ethics and sponsorship committee

Lucien Douroux *(Chairman)*
Michel Derbesse
François-Henri Pinault

# Bouygues and its shareholders

***Listed on the Paris stock exchange since 1970, Bouygues is one of the leading shares on the market and one of the stocks in the CAC 40 index. Bouygues has constantly sought to involve its shareholders in its many value-creating growth initiatives by combining a responsible attitude with entrepreneurial flair.***



## Communicating with shareholders

Bouygues regularly provides its institutional and individual shareholders with financial information in readily accessible forms.

- The Group publishes financial information (sales, earnings, notices of financial transactions, etc.) immediately and extensively, both in France and internationally, through press agencies and on the internet.
- This financial information is recapitulated in summaries printed in a dozen leading French and international financial, economic and investment newspapers and magazines.
- The company website, **www.bouygues.com**, contains detailed and constantly updated information about the Group, its results, its management, its businesses and its values. All the Group's press releases can be found on the site, together with documents containing useful information for shareholders, such as the annual report, financial statements, financial presentations, etc. The site also shows live and recorded webcasts of meetings at which the Group presents its results. An "Investor Information" section has been created to make information more readily accessible and easier to use. There is also a mailbox, comfi@bouygues.com, for those who wish to contact the investor relations department.
- The Group's main publications are widely distributed to investors. They include condensed reports, the financial review, Minorange (the in-house magazine) and letters to shareholders at important moments in the Group's life.
- In 2003, Bouygues decided to further improve the transparency and frequency of its communication by publishing quarterly results. This initiative, still relatively rare in France compared with other countries, provides shareholders and the financial community with regular, year-round information about the performance of the Group and its businesses.
- In the interests of transparency, detailed financial statements (balance sheet, income statement and cash flow statement) for the Group, Bouygues SA and the six main business areas are published twice yearly.
- A registered share account department is at the disposal of shareholders to inform them about matters relating to the Bouygues share.

## Meeting shareholders and the financial community

The Bouygues group's senior management regularly meets the financial community and its shareholders in order to establish and maintain a genuine dialogue.

- Three major meetings take place each year, on publication of the annual and half-year results and at the Annual General Meeting held at the Group's Challenger headquarters at Saint-Quentin-en-Yvelines near Paris.
- Over 300 contacts each year between the company and French investors and analysts help to establish and maintain a constant dialogue. Road-shows provide an opportunity to meet major international investors and to publicise the Group and its businesses.
- The Group also takes part in major conferences attended by leading companies, especially in the telecommunications sector.

## Registered share account department

This in-house department keeps accounts for pure registered securities free of charge. Shareholders wishing to register their shares in this form should send their request directly to their financial intermediary. Contact persons in the registered share account department: Philippe Lacourt and Claudine Dessain.
**Tel: + 33 1 30 60 35 82 / 30 60 32 64**

## Value creation

### Dividend

In February 2004, the Board of Directors decided to ask the Annual Meeting to vote a significant increase in the dividend for 2003, from €0.36 to €0.50 per share, a 39% rise. With a tax credit of €0.25 per share, the dividend reflects Bouygues' wish to improve the return to shareholders and to reward them after several years of investment in growth businesses like Bouygues Telecom and TPS, which are steadily becoming more profitable.

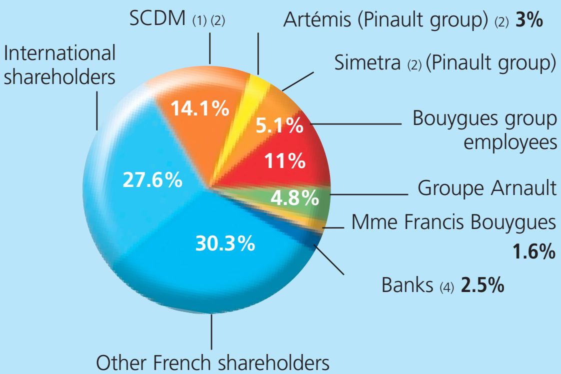
The dividend-to-earnings ratio for 2003 is 37%.

### Buy-back of shares

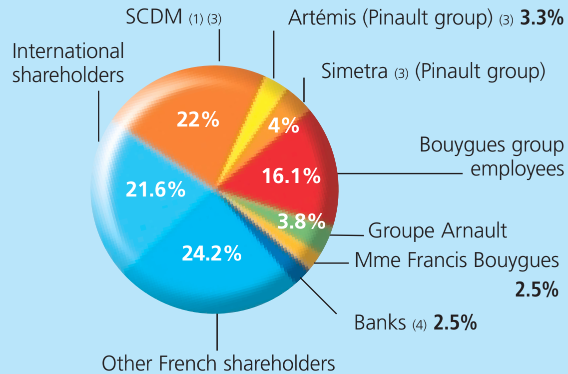
Since 2002, Bouygues has pursued a programme of buying back its own shares on the market with the particular aim of optimising the profitability of its equity. In 2003, Bouygues cancelled shares representing 3% of its capital. The earnings generated by the Group's various businesses and its healthy financial situation mean that it is able to buy back shares while continuing to invest.

## Share ownership

### Shareholders




### Voting rights



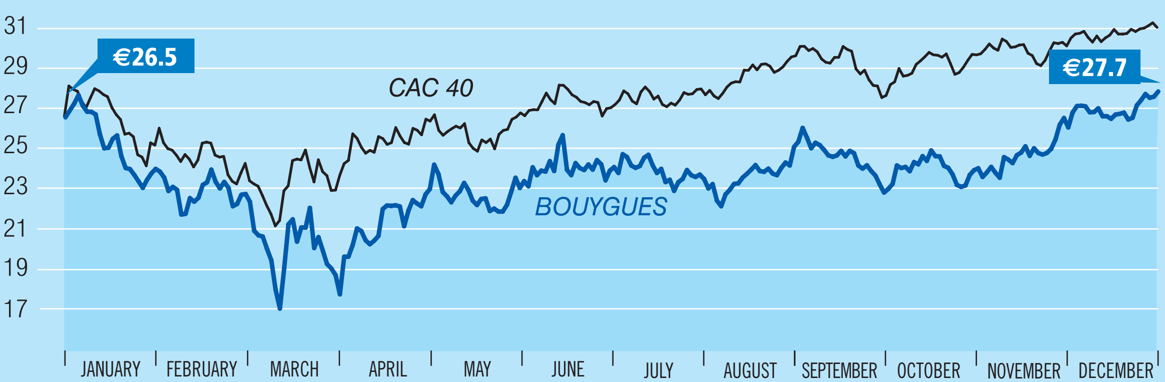

(1) SCDM is a holding company controlled by Martin and Olivier Bouygues.
(2) Bound by a shareholder agreement **22.2 %**.

(3) Bound by a shareholder agreement **29.3%**.
(4) Crédit Agricole/BNP Paribas.

The difference between share ownership and voting rights is due to the fact that shareholders who hold their shares in registered form for more than two years are given double voting rights. This possibility is open to all holders of registered shares.

## Bouygues share price

### Stock market performance 2003




## Information about the Bouygues share

- Listed: Euronext – First market
- ISIN code: FR0000120503
- Par: 1 euro
- Indexes:
  CAC 40, Euronext 100, FTSE Eurofirst 100, FTSE Eurofirst 80
- Eligible for deferred settlement and French equity savings plans (PEA)
- Financial information codes:
  Bloomberg EN.FP, Reuters BOUY.PA

## Calendar

**22 April 2004:** Annual General Meeting

**29 April 2004:** Payment of dividends

**4 May 2004:** First quarter sales figures at 31 March 2004

**16 June 2004:** First quarter earnings at 31 March 2004

**10 August 2004:** Second quarter sales figures at 30 June 2004

**8 September 2004:** Half-year earnings at 30 June 2004

**9 November 2004:** Third quarter sales figures at 30 September 2004

**15 December 2004:** Third quarter earnings at 30 September 2004

**8 February 2005:** Fourth quarter sales figures at 31 December 2004

**2 March 2005:** 2004 earnings at 31 December 2004

## Contact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*Financial Communication Director*
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E-mail: comfi@bouygues.com
Address: 1, avenue Eugène Freyssinet,
78061 Saint-Quentin-en-Yvelines cedex - France

# Simplified Group organisation chart

**BOUYGUES SA** (1)

| | | | |
| --- | --- | --- | --- |
| TELECOMS | 83% | | |
| MEDIA | 41.1% (holding)<br>41.4% (voting rights) | TF1 (1) | 100% LCI<br>100% Eurosport<br>66% TPS |
| UTILITIES | 100% | saur | 100% Saur France<br>100% Saur International<br>100% Stereau<br>100% Coved |
| CONSTRUCTION | 100% | Bouygues Construction | 100% Bouygues Bâtiment<br>100% Bouygues Travaux publics<br>100% ETDE (Electricity) |
| ROADS | 95.9% (holding)<br>97% (voting rights) | COLAS (1) | 100% Screg<br>100% Sacer<br>100% Smac |
| PROPERTY | 100% | Bouygues Immobilier | |

(1) Companies listed on the First Market (deferred settlement service) of Euronext Paris SA.

# Key figures

# Strong earnings *growth*

## Key figures

| (€ million) | 2001 | 2002 | 2003 | 2003/2002 |
|---|---|---|---|---|
| Sales | 20,473 | 22,247 | 21,822 | -2% |
| of which international | 7,607 | 7,195 | 6,110 | -15% |
| EBITDA (1) | 1,680 | 2,260 | 2,415 | +7% |
| Operating income | 876 | 1,058 | 1,238 | +17% |
| Net earnings attributable to the Group | 344 | 666 | 450 | -32% |
| Recurring net earnings (2) | 251 | 319 | 450 | +41% |
| Cash flow | 1,135 | 1,713 | 2,073 | +21% |
| Free cash flow (3) | 278 | 921 | 1,363 | +48% |
| Shareholders' equity | 5,503 | 6,379 | 6,192 | -3% |
| Net debt | 1,124 | 3,201 | 2,786 | -13% |
| Stock market capitalisation | 12,715 | 9,060 | 9,224 | +2% |
| Net dividend per share | 0.36 | 0.36 | 0.50 | +39% |
| Number of employees | 125,034 | 121,604 | 124,300 | +3% |

(1) Earnings before interest, taxes, depreciation and amortisation.
(2) Excluding exceptional items and significant disposals of equity interests.
(3) Cash flow net of the change in working capital requirement minus net operating investment.

The year 2003 was excellent for the Bouygues group. Sales remained stable like-on-like, while operating income rose by 17% and net earnings by 41% (excluding the capital gain on the disposal of Bouygues Offshore in 2002).

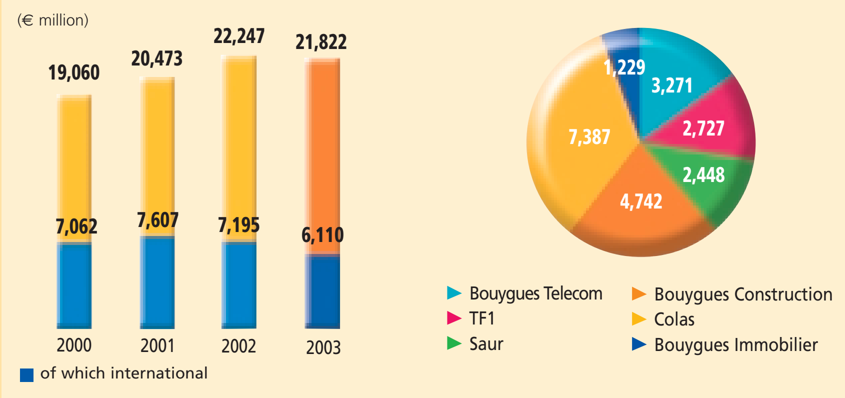
The Group strengthened its financial structure, with a debt-to-equity ratio of 45% against 50% in 2002. Net debt fell by €415 million to €2.8 billion despite the acquisition of 16% of Bouygues Telecom for €1.1 billion. Cash flow increased by 21%.

Strong earnings growth at Bouygues Telecom, TF1 and Colas over the last few years enabled each of the three business lines to generate net earnings in the region of €200 million in 2003: €201 million for Bouygues Telecom, €192 million for TF1 and €204 million for Colas.

Bouygues Telecom's contribution to Bouygues' net earnings has risen sharply as a result of both earnings growth at Bouygues Telecom and Bouygues' stakebuilding in its subsidiary. From 62% in 2002, its stake rose to 73% in 2003 and 83% in 2004.

Bouygues Telecom reported a 12% increase in both total sales (€3,283 million) and net sales from network (€2,995 million). The ratio of EBITDA to net sales from network rose to 33.4% compared with 31.5% in 2002, with EBITDA of €1 billion. Net earnings grew by 55% to €201 million.

## Sales €21.8bn -2%




**Bouygues group.** Consolidated sales in 2003 amounted to €21.8 billion, 2% less than in the previous year. Excluding the disposal of Bouygues Offshore, sales would have increased by 1%.

**Bouygues Telecom.** Total sales rose by 12% to €3,283 million, as did net sales from network (€2,995 million), underlining the success of its positioning on high-value market segments and its i-mode™ mobile multimedia offering.

**TF1.** Sales increased by 5% and net broadcast advertising revenue by 2.4%. Diversification activities continued to prosper, boosted by TPS, up 8% like-on-like, and TF1 Vidéo, up 12%.

**Saur.** The 3% drop in Saur's sales was due to the reorganisation of its international business, with the disposal of South East Water, and lower sales in Côte d'Ivoire. Sales in France rose 2%.

**Bouygues Construction.** The 14% drop in overall sales was mainly due to the disposal of Bouygues Offshore. Excluding this factor, sales fell by 4%, with international sales declining by 14% and sales in France rising by 6%. Order books at end-2003 were 8% higher at €5 billion.

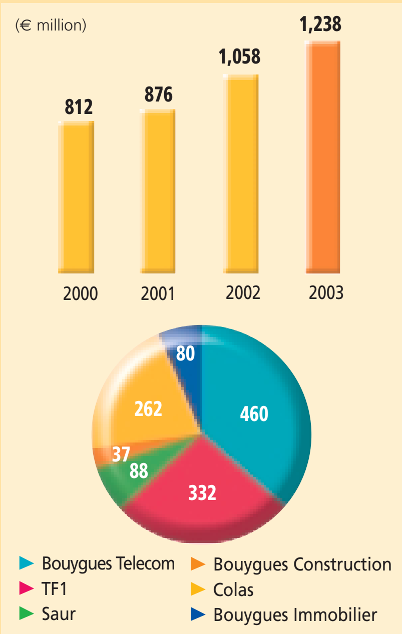
**Colas.** Sales were stable in comparison with 2002, rising by 4% in France and falling by 5% on international markets. The weakness of the dollar and sterling wiped around €260 million off sales, which would have risen by 4% excluding exchange rate effects.

**Bouygues Immobilier.** Sales fell by 4% overall as a result of a 23% decline in the corporate property segment (worse had been expected). The housing segment continued to thrive, growing by 17%.

**International.** The breakdown of the Group's €6,110 million sales outside France was as follows: Western Europe - €2,167m; North America - €1,476m; Africa - €1,214m; Eastern Europe - €653m; Asia/Pacific - €425m; Other countries - €175m.

## Operating income

**€1,238m +17%**

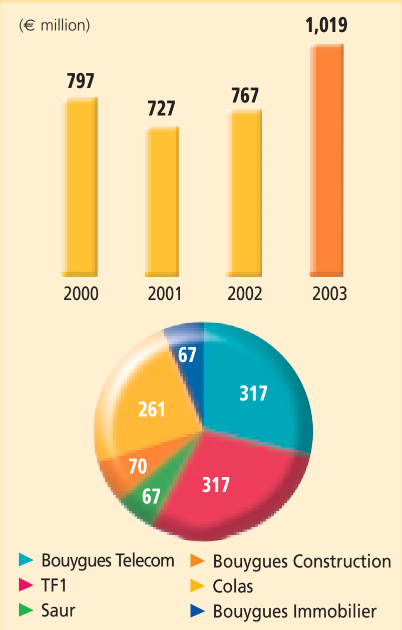



Operating income rose by 17% in 2003 to €1,238 million. Bouygues Telecom became the biggest contributor to Group operating income with €460 million, an increase of 51%. TF1's contribution rose by 13%, boosted by TPS, which moved into the black. Saur reported a 19% drop in operating income, mainly due to the disposal of South East Water in September 2003.

Bouygues Construction confirmed its recovery, with a 19% increase in its contribution to Group operating income. Colas' contribution in 2003 was affected by unfavourable exchange rates and bad weather in North America. Bouygues Immobilier had an excellent year (+29%).

## Earnings before tax and exceptional items

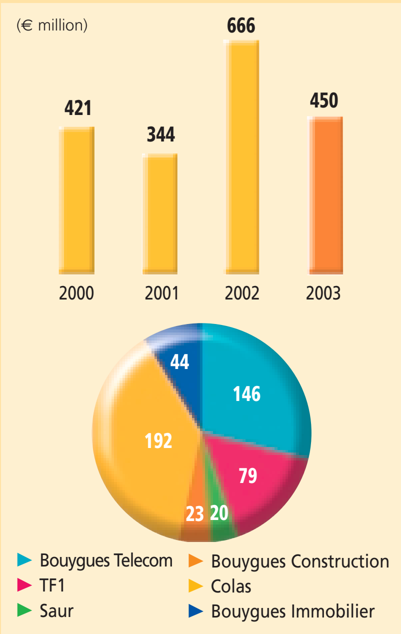
**€1,019m +33%**




Earnings before tax and exceptional items rose by 33%, a higher rate than for operating income, to €1,019 million in 2003. This indicator is especially important for Bouygues Construction, whose operating performance includes both operating income and financial income.

## Net earnings

**€450m -32%**

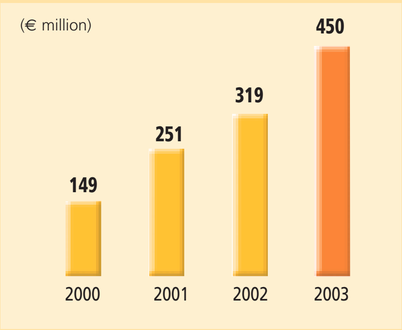



In 2002, the Bouygues group booked an exceptional capital gain of €347 million on the sale of Bouygues Offshore, split between Bouygues Construction (€140 million) and Bouygues SA (€207 million).

Net earnings in 2002 thus amounted to €666 million. The 2003 figure is 32% lower than this record level.

## Recurring net earnings

**€450m +41%**




Excluding the capital gain on the sale of Bouygues Offshore, the Group's recurring net earnings in 2002 amounted to €319 million. The figure for 2003 is €450 million, an increase of 41%.

Strong earnings growth at Bouygues Telecom, TF1 and Colas over the last few years enabled each of these business areas to generate net earnings in the region of €200 million in 2003.

Bouygues Telecom's contribution to the Group's net earnings almost doubled in 2003 (+95%) under the dual effect of higher earnings and Bouygues' acquisition of a bigger stake in its subsidiary.

TF1's contribution increased by 23% as a result of earnings growth at TPS and tight cost controls.

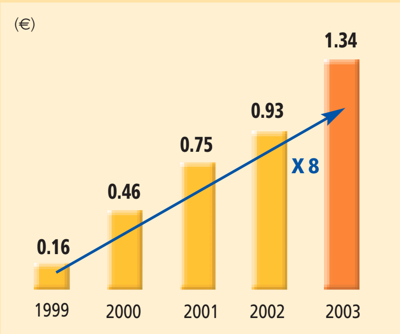
Saur's contribution was affected by a €6 million capital loss on the disposal of South East Water.

Bouygues Construction confirmed its recovery, moving from a €26 million loss in 2002 to a €23 million contribution in 2003.

Colas was able to maintain a high level of net earnings despite the impact of unfavourable exchange rates.

## Recurring net earnings per share

**€1.34 per share** +44%

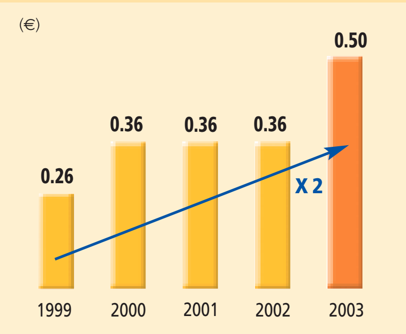



Net earnings per share amounted to €1.34. This represents an increase of 44% excluding exceptional capital gains and is higher than the figure for recurring net earnings because of the cancellation of shares in 2003. There were 333.2 million Bouygues shares and investment certificates in issue at 31 December 2003.

Recurring net earnings per share have increased eightfold over the last five years.

## Net dividend per share

**€0.50 per share** +39%




The Board will ask the Annual Meeting on 22 April 2004 to approve a dividend of €0.50 per share or investment certificate (39% up on 2002), plus a tax credit of €0.25. The dividend will be paid as of 29 April 2004.

In 2003, Bouygues reaped the benefits of the very substantial capital outlays it has made since 1999, amounting to €4.8 billion, in order to strengthen its businesses, especially Bouygues Telecom, Colas and TPS (via TF1).

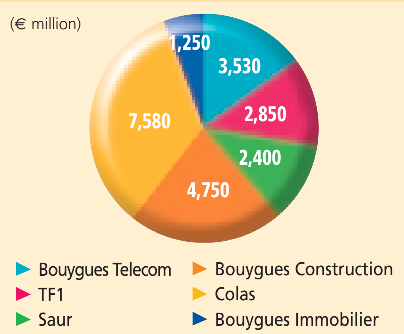
After three years of stable dividends, the excellent results in 2003 and the bright outlook for the future mean that the Group is in a position to increase its pay-out to shareholders.

## Condensed consolidated income statement

| (€ million) | 2001 | 2002 | 2003 |
|---|---|---|---|
| **Consolidated sales** | **20,473** | **22,247** | **21,822** |
| **Operating income** | **876** | **1,058** | **1,238** |
| Net financial items | (149) | (291) | (219) |
| **Earnings before tax and exceptional items of fully-consolidated companies** | **727** | **767** | **1,019** |
| Net exceptional items | 73 | 368 | (14) |
| Income tax | (268) | (316) | (380) |
| **Net earnings of fully-consolidated companies** | **532** | **819** | **625** |
| Share in net earnings of companies accounted for by the equity method | 22 | 52 | 43 |
| Amortisation of goodwill | (44) | (42) | (42) |
| **Net earnings of all consolidated companies** | **510** | **829** | **626** |
| Minority interests | (166) | (163) | (176) |
| **Consolidated net earnings attributable to the Group** | **344** | **666** | **450** |

## Sales target 2004

**€22,380m** +3%

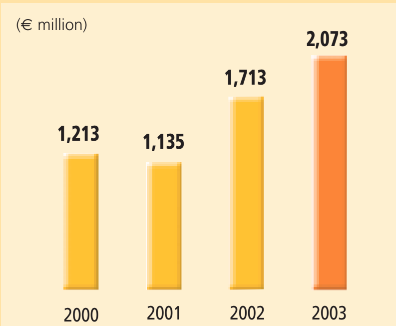


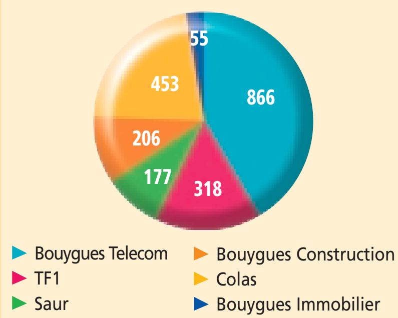

Sales in 2004 are expected to rise by 3% to €22.4 billion, mainly due to a potential 8% increase in sales at Bouygues Telecom. All the Group's other businesses are on a growth track and order books are healthy.

International sales are expected to amount to €6,060 million. Further significant earnings growth is expected in 2004.

# A *solid* financial situation

## Cash flow
**€2,073m +21%**

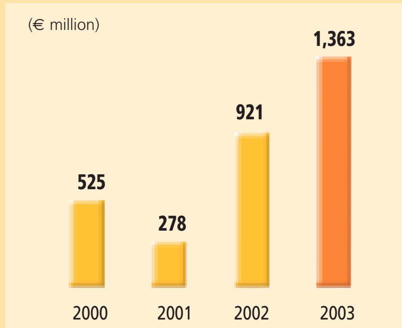



All the Group's business areas increased their cash flow in 2003, reflecting the strength of their positions.

Overall, the Group's cash flow improved by 21% to €2,073 million, giving Bouygues substantial cash resources to fund further growth.

## Free cash flow
**€1,363m +48%**




Bouygues generated very substantial free cash flow of €1,363 million in 2003, compared with €921 million in 2002.

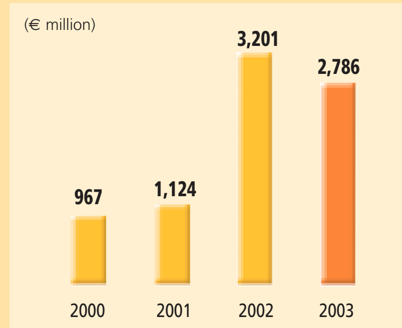
Free cash flow is defined as the Group's capacity to generate a cash surplus after operating investment has been financed, taking into account the change in the working capital requirement.

In 2003, Bouygues generated cash flow of €2,073 million. After subtracting net operating investment (€930 million), and taking into account a positive change in the working capital requirement, free cash flow amounted to €1.4 billion, a 48% increase on 2002.

The different business areas contributed to free cash flow as follows: Bouygues Telecom: €489m; TF1: €253m; Saur: -€48m; Bouygues Construction: €395m; Colas: €200m; Bouygues Immobilier: €85m.

## Net debt
**€2,786m -13%**

At 31 December



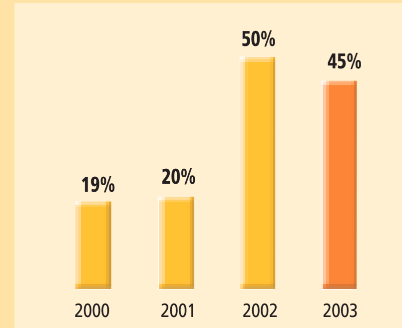

Bouygues further strengthened its financial position in 2003, reducing its net debt by 13% to €2.8 billion despite spending €1.1 billion on building its stake in Bouygues Telecom.

Each line of business improved its cash position. Bouygues Telecom and TF1, the two business areas carrying substantial debt, reduced their net debt by €455 million and €55 million respectively, to €1,031 million (Bouygues Telecom) and €426 million (TF1). All the others have cash surpluses: Saur: €75m (+€624m), Bouygues Construction: €1,346m (+€335m), Colas: €255m (+€111m), Bouygues Immobilier: €88m (+€58m). Bouygues SA and other Group entities carry net debt of €3,093 million.

In November 2003, Bouygues launched a €750 million bond issue in order to optimise its long-term financing and take advantage of favourable market conditions.

## Debt-to-equity ratio
**45%**

At 31 December




With a debt-to-equity ratio of 45%, Bouygues has preserved the solidity of its financial structure. This ratio is one reason why Standard & Poor's has maintained the Group's excellent A- credit rating.

The sharp rise in the debt-to-equity ratio between 1999 and 2000 was due mainly to consolidation effects, especially the full consolidation of Bouygues Telecom.

## Investment

| (€ million) | 2001 Total | 2002 Total | 2003 Operations | 2003 Acquisitions | 2003 Total |
|---|---|---|---|---|---|
| Bouygues Telecom (1) | 399 | (2) 1,088 | 486 | 11 | 497 |
| TF1 | 506 | 481 | 98 | 15 | 113 |
| Saur | 220 | 224 | 137 | 4 | 141 |
| Bouygues Construction | 275 | 263 | 115 | 25 | 140 |
| Colas | 345 | 392 | 294 | 59 | 353 |
| Bouygues Immobilier | 20 | 12 | 2 | - | 2 |
| Bouygues SA and other | 186 | 1,158 | 1 | 1,003 | 1,004 |
| **Total** | **1,951** | **3,618** | **1,133** | **1,117** | **2,250** |

(1) Bouygues Telecom consolidated at 54% in 2001 and at 100% in 2002 and 2003.

(2) Including UMTS licence fee of €619 million.

The Bouygues group substantially reduced its capital expenditure in 2003, from €3.6 billion to €2.3 billion.

- Operating investment fell by 42% to €1,133 million, and by 15% excluding the €619 million exceptional expense for the UMTS licence in 2002. Operating investment is thus well under control.

  Operating investment at Bouygues Telecom (excluding the UMTS licence) and TF1 is stable, while the other business areas have significantly reduced their expenditure, especially Bouygues Construction which had invested substantially in specific projects in 2002.

- Financial investment fell by 33% in 2003 to €1,117 million. The particularly high figure in 2002 was mainly due to TF1's stakebuilding in TPS, of which it now owns 66%. The outstanding event of 2003 was Bouygues' increase of its stake in Bouygues Telecom from 67% to 83% after buying out E.ON for €944 million.

- Divestment in 2003 (€677 million) mainly concerned Bouygues Telecom's sell-off of its radio masts for €105 million and Saur's disposal of South East Water for €425 million.

Net investment thus amounted to €1,573 million in 2003, much lower than the 2002 figure of €2,867 million.

Net operating investment, which is used to calculate free cash flow, fell by 24% in 2003 to €930 million.

## Condensed consolidated balance sheet

| (€ million) | 2001 | 2002 | 2003 |
|---|---|---|---|
| **ASSETS** | | | |
| **Fixed assets** | **9,275** | **12,357** | **11,983** |
| Inventories, programmes and broadcasting rights | 1,681 | 1,778 | 1,874 |
| Trade and other receivables | 9,357 | 8,742 | 8,596 |
| **Current assets** | **11,038** | **10,520** | **10,470** |
| Cash and cash equivalents | 2,198 | 1,906 | 2,616 |
| **Total assets** | **22,511** | **24,783** | **25,069** |
| **EQUITY AND LIABILITIES** | | | |
| Shareholders' equity (Group share) | 4,740 | 5,011 | 5,131 |
| Minority interests | 741 | 1,024 | 894 |
| Other equity | 22 | 344 | 167 |
| **Shareholders' equity and other equity** | **5,503** | **6,379** | **6,192** |
| Provisions for liabilities and charges | 1,909 | 1,882 | 1,896 |
| Financial liabilities | 3,081 | 4,825 | 5,160 |
| **Long-term capital** | **10,493** | **13,086** | **13,248** |
| **Current liabilities** | **11,777** | **11,415** | **11,579** |
| Short-term bank borrowings and overdrafts | 241 | 282 | 242 |
| **Total liabilities** | **22,511** | **24,783** | **25,069** |

## Condensed consolidated cash flow statement

| (€ million) | 2001 | 2002 | 2003 |
|---|---|---|---|
| **A - Operating activities** | | | |
| Cash flow from operations | 1,135 | 1,713 | 2,073 |
| Change in working capital requirement | 326 | 438 | 239 |
| **Net cash from operating activities** | **1,461** | **2,151** | **2,312** |
| **B - Investing activities** | | | |
| Net investment | (1,522) | (2,867) | (1,573) |
| Other investing activities | (61) | 67 | 80 |
| **Net cash used for investing activities** | **(1,583)** | **(2,800)** | **(1,653)** |
| **C - Financing activities** | | | |
| Dividends paid during the year | (229) | (229) | (213) |
| Other financing activities | 247 | 562 | 310 |
| **Net cash from financing activities** | **18** | **333** | **97** |
| **D - Impact of exchange rate movements** | | **(17)** | **(6)** |
| **Change in cash and cash equivalents (A+B+C+D)** | **(104)** | **(333)** | **750** |
| Cash at beginning of period | 2,061 | 1,957 | 1,624 |
| Cash at end of period | 1,957 | 1,624 | 2,374 |

# Business activities

| Sales 2003 |
| --- |
| €3,283m (+12%*) |

| Ebitda/Sales from network |
| --- |
| 33.4% (vs 31.5%) |

| Net earnings (Group share) |
| --- |
| €201m (+55%) |

| Employees |
| --- |
| 6,900 |

| Sales objective 2004 |
| --- |
| €3,550m (+8%) |

*excluding third-party sales

## Significant events

- January: **Bouygues SA buys E.ON's shareholding** in Bouygues Telecom, increasing its equity stake to 72.9%.
- March: **Référence** and **Intégral** contract plans introduced.
- May: **Extended GSM** launched to improve network coverage.
- June: **Number portability implemented;** Bouygues Telecom wins **Trophy for Social Innovation in telecoms.**
- July: Agreement signed for **coverage of blind spots.**
- October: **Bouygues further increases its equity stake.**
- November: **enhanced i-mode™** capabilities (photo, animation, localisation); launch of **iPDA** with Microsoft; **Campus i-mode™** for content providers and partners.

# *Mobile telephony and multimedia*

***Since its inception in 1994, Bouygues Telecom has grown rapidly on the highly competitive mobile phone market. With 6.5 million subscribers in metropolitan France, including 4.2 million Contract customers, the company's ambition is now to become "the preferred brand of mobile services" with the constant aim of better welcoming and serving its customers.***

The mobile phone market continued to expand in 2003 and is now quite substantially larger than the fixed phone market. 69.1% of the French population had a mobile phone by the end of 2003. Bouygues Telecom now has 4.2 million Contract customers and 2.3 million active prepaid customers, giving a total of 6.5 million active customers. It is France's third mobile phone operator with 16% of the market by volume in metropolitan France and 18.2% of the market by value. Its rivals, Orange and SFR, have 49% and 35% of the market respectively.


The company reported an 11.5% rise in sales to €3,283 million and net earnings attributable to the Group of €201 million, an increase of 55%.

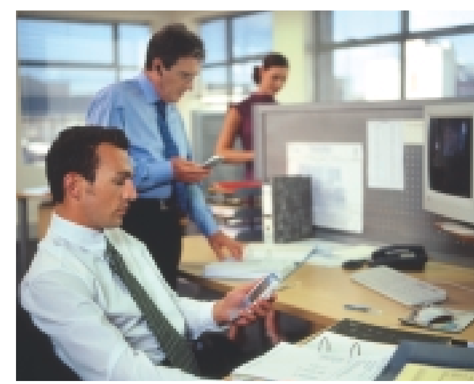
## Creative marketing and sales

Bouygues Telecom intends to become the operator of choice on the mobile communication market by providing high-quality, simple and innovative services designed to enhance its customers' everyday life.

• **Contracts.** The first French operator to offer billing by the second from the first second, Bouygues Telecom simplified its range of contracts in 2003 and all calls are now billed by the second from the first second. The Reference and Integral full contracts are the mainstay of the range, offering 2h to 10h for €25 to €85, while mini-contracts for small-scale users offer 45 minutes for €15 and 90 minutes for €22. Super Millennium, a new and particularly generous unlimited airtime offering, has been highly successful.

• **Prepaid.** Bouygues Telecom introduced billing by the second on all cards from January 2003. Nomad is thus the only prepaid card on the market to offer billing by the second from the first second at no extra cost. The range of prepaid cards was extended in November 2003. The aim was to simplify the offering and adapt it so as to meet customers' needs more effectively.

• **Corporate.** The launch of new mobile multimedia products coupled with number portability has enabled



Bouygues Telecom to win a number of contracts with major accounts, including SNCF, EDF-GDF, Ford, DHL, BNP-Paribas, the Council of Europe, Géodis, Interpol, Steria, Danone, Volkswagen and ESF.

Bouygues Telecom customers exchanged over 2 billion text messages in 2003, 33% more than in 2002. Growth in SMS+ services was particularly strong, with Bouygues Telecom customers accounting for over 20% of the market.

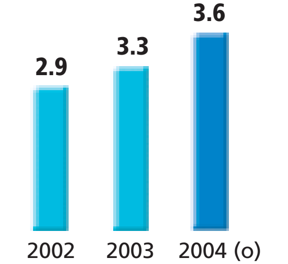
## i-mode™: initial success confirmed

Launched by Bouygues Telecom as an exclusivity in France in late 2002, the pocket internet service has proved highly successful, attracting 500,000 customers in just over 12 months. At end-December 2003, 15% of customers with contracts for 2h or more were i-mode™ subscribers. Over the year, more than one third of new i-mode™ subscribers were new customers.

**• Sharp decrease in net debt: –31%**
**• Further rise in Ebitda/Sales margin**

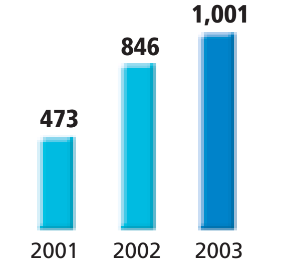
### Sales

In billions of euros



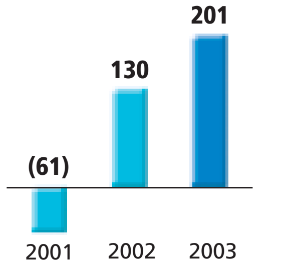

### Ebitda

In billions of euros



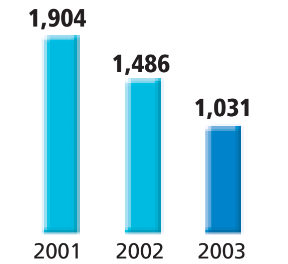

### Net earnings

In billions of euros




### Net debt

In millions of euros at 31/12




This success can be partly attributed to a bigger choice of handsets and an enhanced services offering, including photography, a catalogue of over 70 games, Java applets giving users access to information in real time (news, stock prices, sports news) and "Près d'ici" localisation services. Customers now have access to over 220 official sites and several thousand independent sites, plus an e-mail address accessible to messaging services worldwide and from all multimedia handsets.

With Conso Contracts, costing €5 to €15 per month depending on usage, users can send and receive e-mails and photos, browse on over 70 free sites, download applications and visit sites operated by content providers. Customers can also subscribe to services billed at up to €3 per service per month or unsubscribe at any time directly from their mobile.

## Listening to customers

2,500 customer advisers are on hand to provide customers with the information they need. Bouygues Telecom aims to base its customer

### Consolidated balance sheet at 31/12

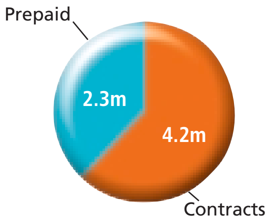
| **ASSETS** *(in millions of euros)* | **2002** | **2003** |
|---|---|---|
| **FIXED ASSETS** | **3,322** | **3,199** |
| Inventories and work in progress | 103 | 96 |
| Trade and other receivables | 1,378 | 1,283 |
| **CURRENT ASSETS** | **1,481** | **1,379** |
| Cash and cash equivalents | 441 | 303 |
| **TOTAL ASSETS** | **5,244** | **4,881** |
| **EQUITY AND LIABILITIES** *(in millions of euros)* | | |
| Authorised capital and reserves | 1,350 | 1,553 |
| Minority interests | 3 | - |
| **SHAREHOLDERS' EQUITY** | **1,353** | **1,553** |
| Other equity | 795 | 767 |
| **SHAREHOLDERS' EQUITY AND OTHER EQUITY** | **2,148** | **2,320** |
| Provisions for liabilities and charges | 54 | 36 |
| Financial liabilities | 1,842 | 1,232 |
| **LONG-TERM CAPITAL** | **4,044** | **3,589** |
| **CURRENT LIABILITIES** | **1,115** | **1,190** |
| Short-term bank borrowings and overdrafts | 85 | 102 |
| **TOTAL EQUITY AND LIABILITIES** | **5,244** | **4,881** |

### Consolidated income statement

| *(in millions of euros)* | **2002** | **2003** |
|---|---|---|
| **SALES** | **2,945** | **3,283** |
| **OPERATING INCOME** | **305** | **461** |
| Net financial items | (150) | (144) |
| **EARNINGS BEFORE TAX AND EXCEPTIONAL ITEMS** | **155** | **317** |
| Net exceptional items | - | 47 |
| Income tax | (26) | (166) |
| **NET EARNINGS OF CONSOLIDATED COMPANIES** | **129** | **198** |
| Share in earnings of companies accounted for by the equity method | - | - |
| Amortisation of goodwill | - | - |
| **NET EARNINGS BEFORE MINORITY INTERESTS** | **129** | **198** |
| Minority interests | 1 | 3 |
| **CONSOLIDATED NET EARNINGS attributable to the Group** | **130** | **201** |

**6.5 million customers**

**metropolitan France**




**Market share by value**

**18.2% in 2003 (17.6% in 2002)**

**i-mode™ (end 2003)**

**500,000 customers**
**220 services**

**12m e-mail messages in 2003**

**Customer service**

**2,500 customer advisers**

**455 "Bouygues Telecom Clubs"**

**SMS messages in 2003**

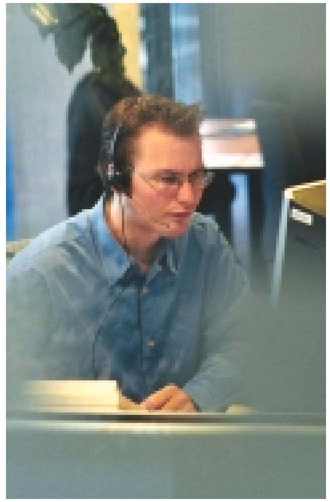
**Over 2 billion (+33%)**

**Network**

**11,000 base stations**

**International coverage**

**Roaming agreements with 352 operators in 177 countries**



relations on trust and quality, which help to ensure loyalty. In 2003, the company continued to get closer to its customers, increasing its availability in several ways:

- by introducing a round-the-clock emergency service for theft, loss, etc.,
- by making no charge for the interactive voice server helpline (614/630/634),
- by expanding the possibilities for multichannel contact, including e-mail,
- by continuing to improve the reliability of its information systems.

## A high-quality network

Bouygues Telecom continued to expand its dual-band capability in areas already covered, further improving coverage and increasing capacity to favour unlimited airtime offerings. Over 1,600 sites nationwide were upgraded to dual-band in 2003. In rural areas, Bouygues Telecom is replacing 1800 MHz base stations with 900 MHz so as to increase the area covered. At the same time it is continuing to extend coverage, especially in rural areas, installing almost 600 new base stations in 2003. The quality of Bouygues Telecom's network was again acknowledged by the Service Quality survey carried out for the ART, the telecommunications regulatory authority.

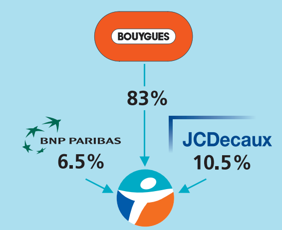
In order to make savings on operating costs and favour infrastructure pooling, in July 2001 Bouygues Telecom concluded a contract to sell almost all its radio masts to TDF. The sales have been taking place in line with the contract schedule and will be completed by the end of 2004.

## Three subsidiaries in France

**Distribution Réseau Boutiques (DRB),** a wholly-owned subsidiary, generated sales of €145 million in 2003. It coordinates the 455 boutiques in the network of Bouygues Telecom Clubs which, covering the whole country, nurture customer relations at grassroots level. The establishment of a network of proprietary boutiques, begun in 1998, is one of the key elements of the company's retail and customer loyalty strategy. Building on a strong presence in city centres, the network sought to ensure a better balance in 2003 by opening outlets in thriving shopping centres.

Bouygues Telecom products and services are also on sale at over 10,000 outlets, from chain stores and supermarkets to small retailers, and on the internet from L@ boutique, an on-line store.


**Bouygues Telecom Caraïbe.** A wholly-owned subsidiary created in January 2000, Bouygues Telecom Caraïbe opened its network in Martinique and Guadeloupe a year later, subsequently extending it to Guiana. Proposing products suited to the local market, especially prepaid services, the company has over 116,000 customers. It has also continued to roll out its network, now practically complete. Bouygues Telecom Caraïbe has annual sales of €77 million. On 23 December 2003, Bouygues Telecom bought back Wicom's 17.1% stake in BTC and is now the sole shareholder.




*In January 2003, Bouygues acquired 5.8% of Bouygues Telecom's capital from the German group E.ON. Bouygues' shareholding rose to 72.9% as a result of the transaction.*

*On 30 December 2003, Bouygues exercised an option valid until October 2005 and acquired the remainder of E.ON's shares in Bouygues Telecom, representing 10.1% of the capital. Bouygues now owns 83% of Bouygues Telecom.*

**Téléciel,** a wholly-owned subsidiary, is a wholesale distributor of telecommunications products and services, providing promotional point-of-sale materials and supplying Bouygues Telecom's decentralised retail outlets. It was named Best Wholesaler of 2003 by the trade magazine Distribution et Filaires. Téléciel has expanded considerably over the last two years, generating sales of €78 million in 2003.

## A solid financial structure

In 2003, Bouygues Telecom reimbursed €690 million of its syndicated loan (including €438 million ahead of schedule), reducing the outstanding amount in principal from €1,706 million to €1,016 million.

## Regulatory issues

2003 was a busy year on the regulatory front, raising many important issues for Bouygues Telecom, though they will only be resolved during the course of 2004.

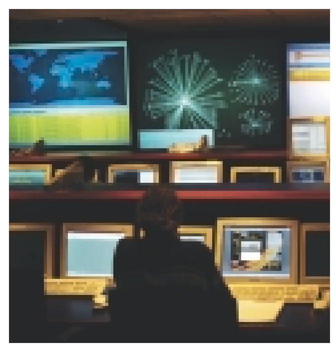
**Coverage of blind spots.** At a meeting on 13 December 2002, the cabinet regional development committee decided to introduce a multi-year roll-out plan for the coverage of priority localities and transport arteries not currently covered by the three operators.

In the first half of the year, a consultation between the government, local authorities and the operators begun at the end of 2002 identified 3,100 communes without coverage. 1,834 are included in the first phase of the plan, which involves installing 1,250 masts. The three operators will be responsible for the aerials and electronic equipment, at a total cost of approximately €150 million. In some cases, they will share masts, on which they will install their own equipment, but priority has been given to roaming (the three operators will use the same infrastructure, including both the mast and the radio-electric equipment), the €88 million cost being borne by central government and local authorities.

The conditions for implementing the programme to cover blind spots were confirmed by the conclusion on 15 July 2003 of an agreement between the ministers concerned, the ART, bodies representing local authorities and the three operators. The programme has since become operational and the first sites are due to come into service on schedule in early 2004.

**Renewal of GSM licences.** In the second half of 2003 the ART began a public consultation on the renewal of GSM licences which, for Orange and SFR, expire in March 2006. Under the provisions of the Post and Telecommunications Code, the minister is required to notify the operators concerned, on a proposal from the ART, of the conditions for renewing their licences at least two years before they expire. Bouygues Telecom responded to the consultation and is taking part in negotiations, since the conditions issued in March 2004 will apply when its own licence comes up for renewal in 2009 (cf. "Recent events", p.38).

**UMTS.** The ART has asked manufacturers in the sector and operators for their opinions on developments in UMTS technology and high-speed mobile services. In view of the uncertainties relating to the maturity of UMTS technology and the emergence of a need, Bouygues Telecom announced that it intended to start rolling out the EDGE technology in May 2004, following up with a commercial launch in 2005. Providing a platform for high-speed services using GSM, EDGE will enable Bouygues Telecom to rapidly offer third generation services across its entire network. Bouygues Telecom would subsequently implement UMTS in areas where there was sufficient demand. A solution combining UMTS and EDGE seems inevitable and will benefit customers, who will make no distinction between transport technologies for most applications.



**Number portability.** In accordance with the commitments given by the three operators in 2002, number portability, which allows customers to change operator while keeping the same number, has been in operation since 30 June 2003. In order to remedy the delays inherent in the porting process and give easier access to portability, Bouygues Telecom has introduced a bridging service which gives customers immediate access to a provisional line in compliance with the rules of consumer law.

**Database of stolen mobile phones.** On a request from the Interior Ministry and in order to limit handset theft, the operators, in the framework of the Mobivol consortium, have developed and implemented a common database containing the IMEI numbers of stolen handsets. The database has been operational since the second quarter of 2003 and enables the three operators to prohibit access to their networks from stolen handsets.

**Universal directory.** The decree of 1 August 2003 requires all operators, under certain terms and conditions relating to personal data protection, to provide a list of their subscribers, at a cost-oriented price, to any directory or universal information service operator on request. In view of the necessary IS development work and the procedures to be followed, Bouygues Telecom should be able to meet this regulatory requirement by the end of 2004.

**Mobile Observatory published by the ART.** With the other operators, Bouygues Telecom took part in the ART's work to make the Mobile Observatory more relevant. In addition to the number of prepaid and postpaid customers and numbers of text messages, the Observatory will now publish the three operators' aggregate quarterly sales figures, ARPU and traffic data.

**Mobile network service quality**. In January 2003, the ART published the results of its annual mobile network service quality survey, confirming the excellence of Bouygues Telecom's network. Bouygues Telecom has taken part in ART working groups to improve the survey's relevance and to simplify its publication.

### OUTLOOK FOR 2004

Bouygues Telecom is aiming for top-line growth of about 8%. On the strength of its simple and innovative solutions, the company will pursue its efforts to win over customers and become their preferred provider in terms of usage and services.

The company has set itself four major objectives:

- Develop mobile multimedia services, in particular i-mode™. Provided at a reasonable cost, these services are useful and can generate additional revenue from individual and business customers.
- Stay positioned in the high value added market segments – heavy users and business customers – by offering generous package plans carefully tailored to usage patterns.
- Improve profitability not only by increasing sales but also by controlling operating costs and marketing expenditures.
- Prepare for the deployment of high data rate solutions (first EDGE, then UMTS).

TF1

| Sales 2003 |
| --- |
| €2,743m (+4%) |

| Operating income |
| --- |
| €334m (+14%) |

| Net earnings (Group share) |
| --- |
| €192m (+24%) |

| Employees |
| --- |
| 3,700 |

| Sales objective 2004 |
| --- |
| €2,867m (+5%) |

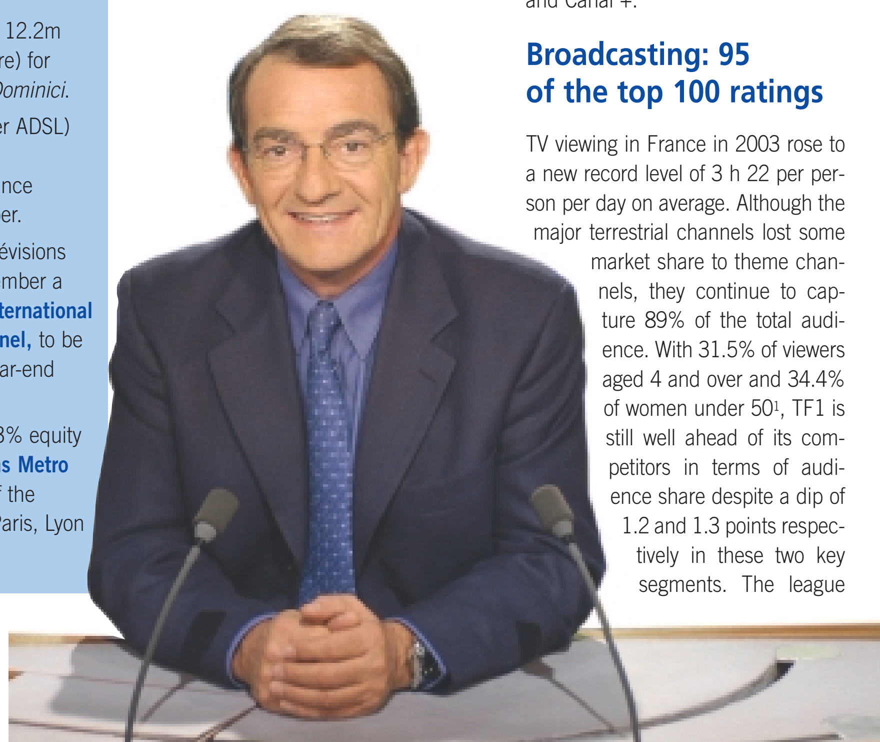
## Significant events

- **Conflict in Iraq:** 14 reporting teams, 54 journalists and technicians sent.
- **Record audience** of 12.2m viewers (50.2% share) for the series *L'affaire Dominici.*
- **TPSL** (digital TV over ADSL) launched in Lyon in partnership with France Télécom in December.
- TF1 and France Télévisions announced in September a **French-language international 24-hour news channel,** to be launched before year-end 2004.
- TF1 acquired a 34.3% equity stake in **Publications Metro France,** publisher of the Metro free daily in Paris, Lyon and Marseille.

# Number one TV group in France

***France's leading general-interest TV channel, TF1 is continuing its successful diversification into publishing and the distribution of spin-off products, internet activities, theme channels, production and the sale of broadcasting rights, and pay TV with TPS. Net earnings attributable to the Group rose by a substantial 24% in 2003.***

In 2003, TF1 reported a 4.5% rise in sales to €2,743 million as a result of growth in diversification activities and a 2.4% increase in advertising revenue. The Group share of net earnings rose by 24% to €192 million. In October 2003, Standard & Poor's confirmed TF1's A/Stable/A-1 rating, underlining its continued financial health.



TF1's main rivals are France Télévisions (France 2 and France 3), M6 (now controlled by Bertelsmann) and Canal +.

## Broadcasting: 95 of the top 100 ratings

TV viewing in France in 2003 rose to a new record level of 3 h 22 per person per day on average. Although the major terrestrial channels lost some market share to theme channels, they continue to capture 89% of the total audience. With 31.5% of viewers aged 4 and over and 34.4% of women under 50[1], TF1 is still well ahead of its competitors in terms of audience share despite a dip of 1.2 and 1.3 points respectively in these two key segments. The league table of the four major terrestrial channels (TF1, France 2, France 3, M6) thus remains unchanged.

TF1 has again proved the strength of its schedules, combining regular slots with exceptional events. As in 2002, it achieved 95 of the top 100 ratings, winning the biggest audience on more than 9 evenings out of 10. Its main strengths are drama (*Navarro, Julie Lescaut, L'affaire Dominici*, etc.), news (an average audience share of 51.8% for the lunchtime bulletin and 40.8% for the evening news, a slight increase), films, entertainment (10.1 million viewers watched the final of *Star Academy III*) and sport.

Programme costs fell by 3.4% to €852 million, partly due to a favourable basis for comparison (broadcasting rights for the football World Cup in 2002 cost €68 million) and the renegotiation of rights for Formula 1 motor-racing and Champions League football.

1 Source Médiamétrie

## Increase in advertising

Net advertising revenue rose by 2.4% in an unstable economic environment, the war in Iraq having created a climate of uncertainty in the first half of the year. Given the lack of visibility, advertisers tended to take a wait-and-see attitude: decisions to advertise were taken on a short-term basis and gave priority to responsive media like television and blue-chip hosts like TF1. The company's advertising division strengthened its leading position with a 54.7% share of the TV advertising market[2], slightly more than in the previous year.

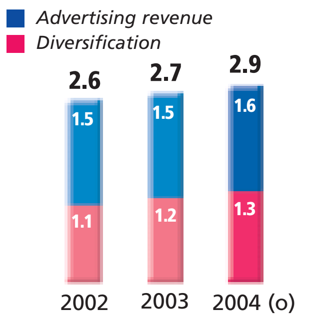
TF1 hosted more than 300 of the top advertising slots in terms of numbers of viewers in 2003: the best advertising slot on a rival channel was in 323rd position, compared with 134th in 2002. On average, TF1 screens seven slots a day seen by over five million viewers, whereas its rivals achieve barely one a day between them with the same audience.

2 Source Sécodip

**• Improvement in margins**
**• Audience share unequalled in Europe**

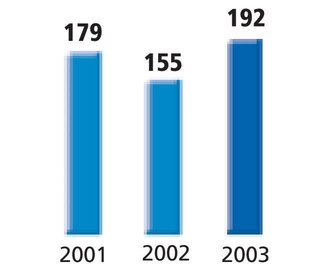
### Sales

In billions of euros

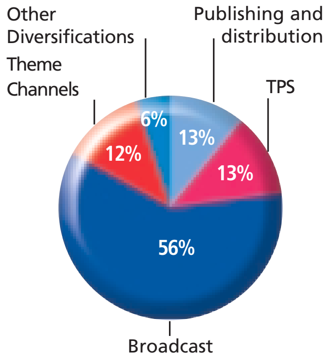



### Net earnings

In millions of euros

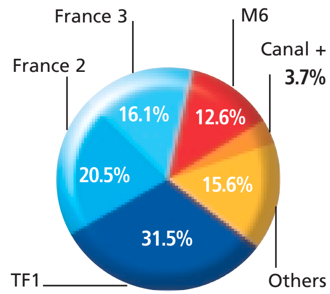



### Sales by segment



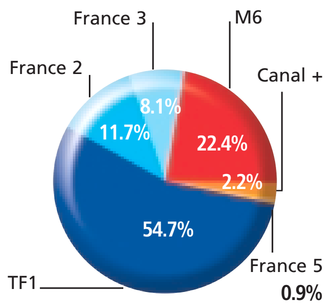

### Audience shares

Individuals aged 4 and over




Source Médiamétrie

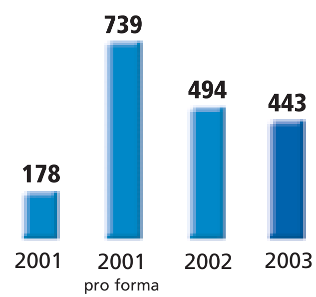
### Share of the advertising market




Source Sécodip

### Net debt

In millions of euros




### Consolidated balance sheet at 31/12

| **ASSETS** *(in millions of euros)* | **2002** | **2003** |
|---|---|---|
| **FIXED ASSETS** | **1,232** | **1,220** |
| Inventories, programmes and broadcasting rights | 676 | 704 |
| Trade and other receivables | 1,176 | 1,104 |
| **CURRENT ASSETS** | **1,852** | **1,808** |
| Cash and cash equivalents | 54 | 185 |
| **TOTAL ASSETS** | **3,138** | **3,213** |
| **EQUITY AND LIABILITIES** *(in millions of euros)* | | |
| Authorised capital and reserves | 806 | 866 |
| Minority interests | 1 | - |
| **SHAREHOLDERS' EQUITY** | **807** | **866** |
| Other equity | - | - |
| **SHAREHOLDERS' EQUITY AND OTHER EQUITY** | **807** | **866** |
| Provisions for liabilities and charges | 140 | 165 |
| Financial liabilities | 529 | 627 |
| **LONG-TERM CAPITAL** | **1,476** | **1,658** |
| **CURRENT LIABILITIES** | **1,643** | **1,554** |
| Short-term bank borrowings and overdrafts | 19 | 1 |
| **TOTAL EQUITY AND LIABILITIES** | **3,138** | **3,213** |

### Consolidated income statement

| *(in millions of euros)* | **2002** | **2003** |
|---|---|---|
| **SALES** | **2,625** | **2,743** |
| **OPERATING INCOME** | **293** | **334** |
| Net financial items | (30) | (14) |
| **EARNINGS BEFORE TAX AND EXCEPTIONAL ITEMS** | **263** | **320** |
| Net exceptional items | (4) | (8) |
| Income tax | (94) | (115) |
| **NET EARNINGS OF CONSOLIDATED COMPANIES** | **165** | **197** |
| Share in earnings of companies accounted for by the equity method | (1) | - |
| Amortisation of goodwill | (9) | (12) |
| **NET EARNINGS BEFORE MINORITY INTERESTS** | **155** | **185** |
| Minority interests | - | 7 |
| **CONSOLIDATED NET EARNINGS attributable to the Group** | **155** | **192** |

Budgets have increased in most of the sectors which advertise on TF1, though not all equally or at the same time. Spending in the channel's bedrock sectors (food, drink, household products, grooming and beauty products, automobile) rose by 12.2% in the first half of the year but slowed to 3.8% in the second half, while budgets in growth sectors (services, telecommunications, culture and leisure, travel and tourism) got off to a slow start, rising by only 0.4% in the first six months before picking up rapidly in the second half of the year, increasing by 16.8%.

While the food, grooming and beauty, telecommunications and culture and leisure sectors boosted TF1's advertising revenue, three sectors fell back overall: automobile, which dropped by 5.6% with the decline in new car registrations, household products, which fell by 4.8%, and publishing, which fell by 3.2%. Bigger advertising budgets for videos and DVD were unable to offset lower levels of investment in music publishing, matching a sharp drop in record sales.

Theme channels as a whole accounted for 7.6% of gross TV advertising revenue in France, amounting to €410 million in 2003. The services offered by TF1 Publicité are increasingly attractive in this area: 63% of theme channel advertisers chose at least one of its channels in 2003, compared with 56% in 2002.

## Diversification activities

Taking advantage of its television know-how, from the outset TF1 has diversified into the production, acquisition, distribution and exploitation of content. For the first time, these activities broke even over a full 12-month period. Sales amounted to €1,199 million, an increase of 7.3%, boosted by the excellent performance of TF1 Vidéo, TPS, Téléshopping and TF6.

N.B. The activity of TF1 subsidiaries is reviewed below on the basis of their contribution to consolidated financial information.


### Theme channels

At the end of 2003, TF1 owned either directly or through TPS twenty theme channels which generated sales of €51 million, an increase of 7.9%.

The sports channel **Eurosport** was received in 98 million homes in 54 countries in Europe at end-2003, including 48 million as a pay channel, an increase of 4.9%. Its audience grew by over 12%. 18.3 million homes receive the sports news channel Eurosportnews, which confirmed its success with a new broadcasting licence in China and an editorial partnership in Russia.

Sales declined by 3.6% to €283 million, caused mainly by lower advertising revenue (excluding foreign exchange effects) due to the absence of major sporting events and the continuing weakness of the German economy. However, cable and satellite royalties have improved with the increase in the number of paying households, largely offsetting a decline in the average price per subscriber. Net earnings more than doubled to €8 million.

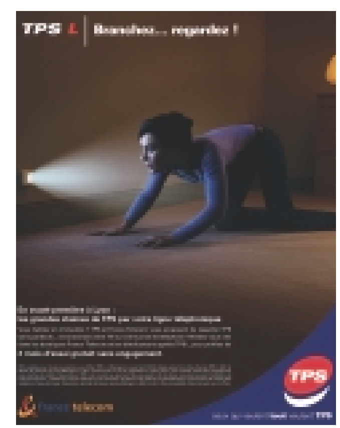
The other theme channels **(LCI, Odyssée, TF6, Série Club and TV Breizh)** generated sales of €51 million and a net loss of €12.6 million.

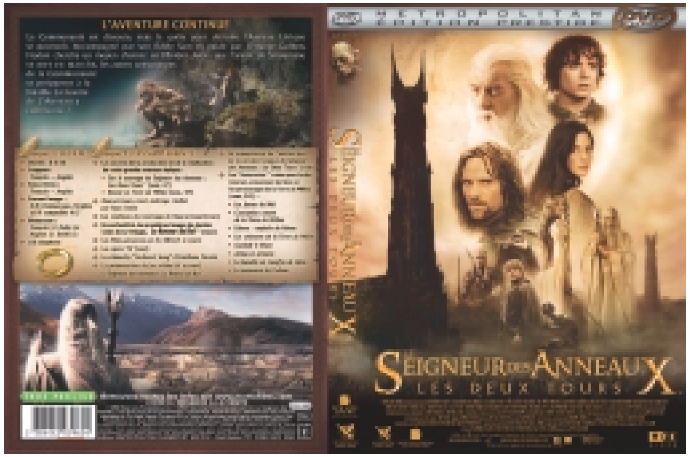
### Digital TV

TPS has 1,527,000 active subscribers, including 1,238,700 with satellite dishes (+5.7%), and 288,300 subscribers to TPS Cinéma channels via cable and satellite networks. Its share of the new subscriber market is 36%.

On 18 December 2003, TPS and France Télécom jointly launched television via ADSL high-speed telephone lines. The service, named TPSL, gives users access to the TPS bundle and digital-quality cinema and TV programmes on demand. Available in the Lyon area, it will be marketed in the Paris region in the spring of 2004.

TPS generated sales of €353 million in 2003. With average revenue per subscriber increasing slightly to €37.3, it has significantly cut its losses from €21.2 million to €6.4 million. Its satellite business should break even






in terms of net earnings in 2004, while the entire group (including the ADSL business) is expected to break even in 2005.

### Publishing and distribution

Sales showed a slight increase, up by 1.9% to €344 million, while net earnings rose by 13%.

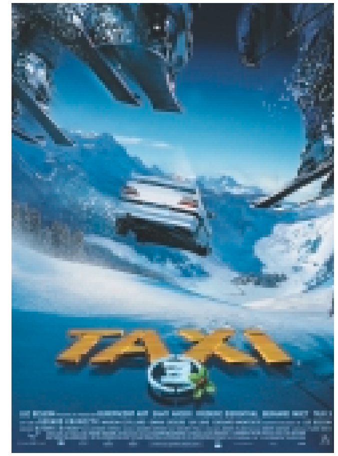
TF1 Entreprises benefited from strong growth at TF1 Licences, especially in magazine publishing (*Star Ac Mag*), promotion licences (*Star Academy, Ushuaïa, Franklin*) and event merchandising (*Star Academy, Jenifer*, etc.). In contrast, it was hit by a slowdown at TF1 Musique/Une Musique, its music publishing subsidiaries, and TF1 Games, a publisher of board games, which operate in declining markets. However, TF1 Games continued to expand its range of products in buoyant sectors such as children's games and export markets.

**TF1 Vidéo,** reporting a 12% increase in sales to €211 million, took advantage of the popularity of DVD, which now accounts for 76% of the market by volume. Its biggest selling titles were Lord of the Rings – *The Two Towers* and *Jean-Marie Bigard*. Net earnings rose by 20% to €12.4 million.

**Téléshopping,** a distance shopping subsidiary, reported a 5.4% rise in sales to €73 million, mostly from its internet business, despite difficult market conditions due to the war in Iraq, the heatwave in August and volatile consumer behaviour. It generated net earnings of €3.2 million.

### Interactive services

Since 1 July 2003, TF1's interactive services operations have been brought together in e-tf1, which reported sales of €26 million. The www.tf1.fr website, France's leading media site, has continued to make good progress due to the rise in e-commerce advertising revenue, the marketing of databases, the increase in content and pay services, especially live video feeds (*LCI, Infosport, Star Academy*, etc.), the game Who Wants to be a Millionaire and i-mode™ services.




### Production and management of audiovisual rights

Sales fell by 7% to €96 million, mostly due to the difficulties experienced by Glem, a producer of entertainment shows and programmes. The division reported a net loss of €13.9 million.

**TF1 International** Pictures and TF1 International, which produce and distribute films intended for an international audience, reported a 12% decline in sales to €28 million due to fewer productions and a fall in the number of programmes sold.

**TF1 Films Production** coproduced 22 feature films, 7 of which attracted over one million cinema viewers (*Taxi 3, Tais-toi, 7 ans de mariage, 18 ans après*, etc.).

### Other

**Visiowave,** in which TF1 has an 80% stake, specialises in digital video on public or private networks. At the leading edge of the technology, it has become a reference in the video surveillance sector and has developed commercial partnerships with some of the world's best-known integrators, such as Alcatel, Cap Gemini, Thalès and Siemens. It has now reached break-even point and generated sales of €13 million for net earnings of €0.1 million.

## OUTLOOK FOR 2004

While keeping control of programming costs, which are set to rise by 4-5%, TF1 is intent on bolstering the already strong position of the TV channel. It is the main source of revenue to finance developments in production, acquisition, distribution and exploitation of content. Aiming to make TPS the leading player in pay TV in France, TF1 will shortly be rolling out its new TPSL offering in major cities. This service, launched in Lyon in December 2003, provides a TV programming over high-speed (ADSL) telephone lines.

The diversification businesses are on track to move into profit in 2004, and TPS (excluding ADSL) should reach break-even. Consolidated sales of the TF1 group are set to increase by 4-5% and advertising revenues by 3-5% as the economic outlook improves and some sectors previously barred from advertising on TV are allowed to run commercial spots. Caution is in order, however, in view of the advertising markets' low visibility and high volatility. Net earnings are set to increase again in 2004.

| Sales 2003 |
|---|
| **€2,450m** (-3%) |

| Operating income |
|---|
| **€87m** (vs €108m) |

| Net earnings (Group share) |
|---|
| **-€17m** (vs €27m) |

| Employees |
|---|
| **21,100** |

| Sales objective 2004 |
|---|
| **€2,400m** (+2%*) |

*at constant scope

## Significant events

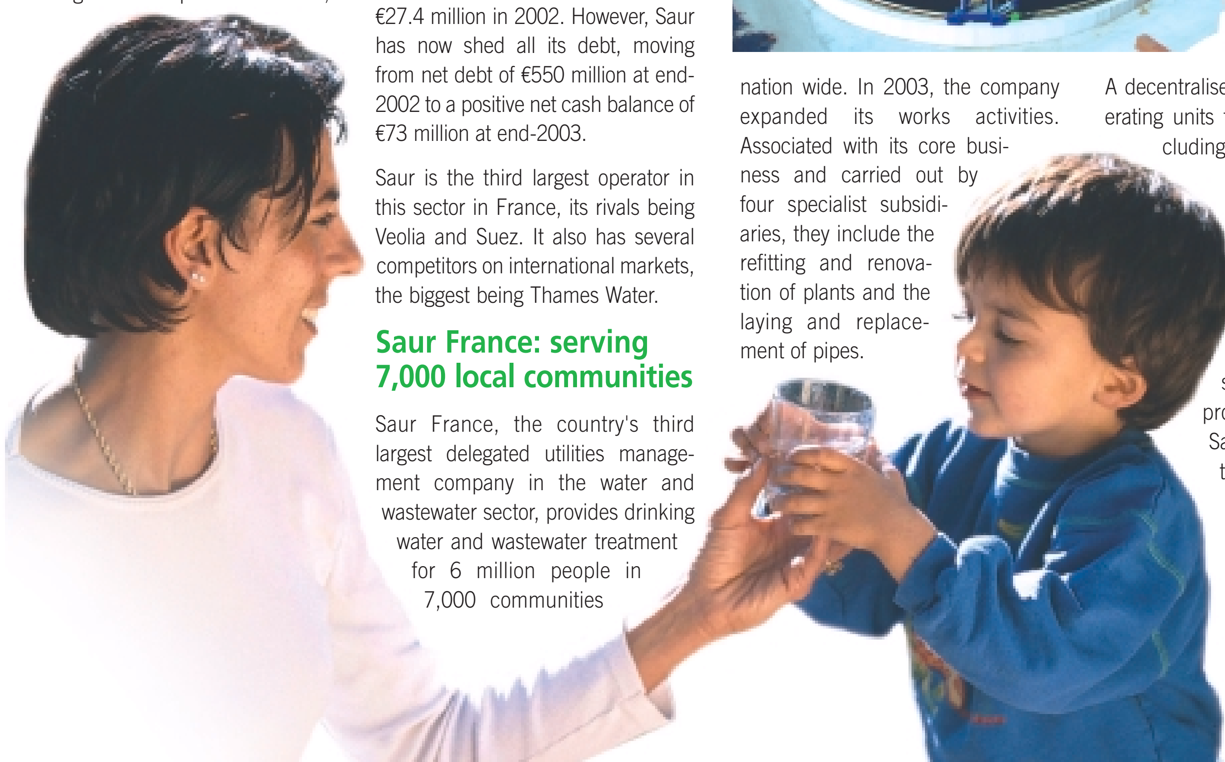
- **International:** Saur Water Services (Great Britain) sold to an Australian investment fund in late September 2003.
- **Saur France:** Saphir customer management software deployed throughout the service area. Extreme weather conditions, with summer drought followed by flooding at year-end.
- **Environmental services:** Coved withdraws from the incineration business by selling its Cideme subsidiary.
- **Stereau:** Contracts signed for the Guilvinec (Finistère), Roques-sur-Garonne (Haute-Garonne), Thuit-Signol and La-Couture-Boussey (Eure) water treatment plants, which illustrate how Stereau has positioned itself in the innovative solar drying and membrane technologies.

# Utilities: water, energy, environmental services

***Saur is active in all stages of the water cycle business: construction of drinking water production plants and water supply; wastewater disposal and construction and operation of wastewater treatments plants. Saur also provides power generation, transmission and distribution services and handles solid waste collection and processing.***

Saur reported sales of €2,450 million in 2003, slightly lower than the 2002 figure of €2,516 million. The fall was mainly due to the sale of Saur Water Services in September 2003, with the resulting loss of a quarter's revenue, and the strength of the euro against sterling. Like-on-like and at comparable exchange rates, Saur's sales increased by 2.7%. Saur reported a net loss attributable to the Group of €16.7 million, compared with a net profit of €27.4 million in 2002. However, Saur has now shed all its debt, moving from net debt of €550 million at end-2002 to a positive net cash balance of €73 million at end-2003.

Saur is the third largest operator in this sector in France, its rivals being Veolia and Suez. It also has several competitors on international markets, the biggest being Thames Water.

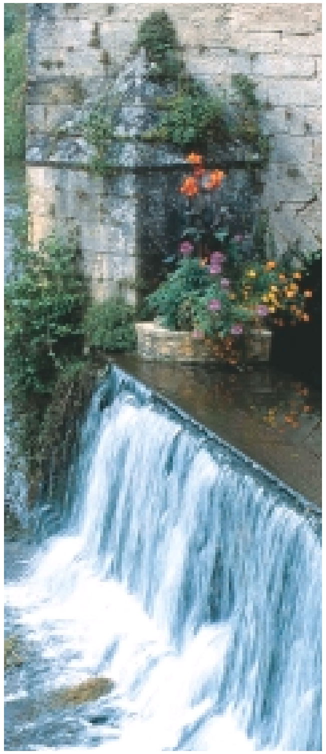


## Saur France: serving 7,000 local communities

Saur France, the country's third largest delegated utilities management company in the water and wastewater sector, provides drinking water and wastewater treatment for 6 million people in 7,000 communities nation wide. In 2003, the company expanded its works activities. Associated with its core business and carried out by four specialist subsidiaries, they include the refitting and renovation of plants and the laying and replacement of pipes.

A decentralised company, its 42 operating units throughout France (including the Antilles and La Réunion) ensure close links with its local authority clients and with consumers.

So as to give its customers the best service and improve productivity, in 2003 Saur France completed the implementation of Saphir, a new customer management package linked to new call centres located nationwide.



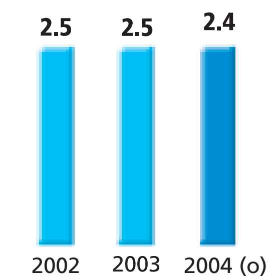
Extreme weather conditions were one of the outstanding features of 2003. The entire workforce was mobilised to cope with the drought in summer and the floods at the end of the year, drawing on all the company's technical skills and know-how.

Motivated by a constant concern to preserve the environment, Saur France, which has many coastal sites, has developed partnerships with Ifremer, the national oceanographic and marine research institute, and the national coastline conservation agency. The aim of the first of these partnerships is to control emissions into the sea in sensitive areas, and of the second to take part in local environmental protection initiatives.

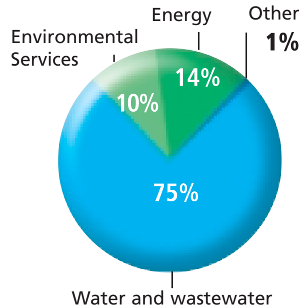
***• Improvement in net earnings excluding the sale of Saur Water Services***

## Sales

In billions of euros



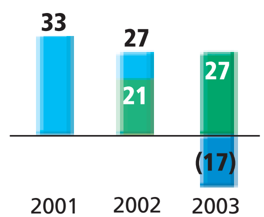

## Sales by segment




## Net earnings

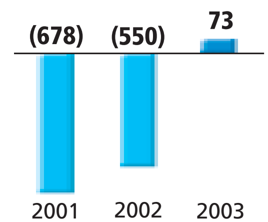
In millions of euros

*excluding Saur Water Services*

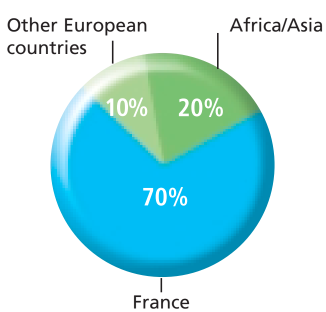



## Net cash

In millions of euros at 31/12




## Sales by geographical zone




**6 million people**
**served in 7,000 communities in France**

**50 million people**
**served worldwide**

**90% of operational**
**services certified**

## Consolidated balance sheet at 31/12

| **ASSETS** *(in millions of euros)* | **2002** | **2003** |
|---|---|---|
| **FIXED ASSETS** | **2,012** | **1,133** |
| Inventories | 61 | 60 |
| Trade and other receivables | 1,310 | 1,329 |
| **CURRENT ASSETS** | **1,371** | **1,389** |
| Cash and cash equivalents | 96 | 313 |
| **TOTAL ASSETS** | **3,479** | **2,835** |
| **EQUITY AND LIABILITIES** *(in millions of euros)* | | |
| Authorised capital and reserves | 610 | 542 |
| Minority interests | 33 | 32 |
| **SHAREHOLDERS' EQUITY** | **643** | **574** |
| Other equity | 29 | 29 |
| **SHAREHOLDERS' EQUITY AND OTHER EQUITY** | **672** | **603** |
| Provisions for liabilities and charges | 494 | 452 |
| Financial liabilities | 586 | 202 |
| **LONG-TERM CAPITAL** | **1,752** | **1,257** |
| **CURRENT LIABILITIES** | **1,667** | **1,540** |
| Short-term bank borrowings and overdrafts | 60 | 38 |
| **TOTAL EQUITY AND LIABILITIES** | **3,479** | **2,835** |

## Consolidated income statement

| *(in millions of euros)* | **2002** | **2003** |
|---|---|---|
| **SALES** | **2,516** | **2,450** |
| **OPERATING INCOME** | **108** | **87** |
| Net financial items | (30) | (20) |
| **EARNINGS BEFORE TAX AND EXCEPTIONAL ITEMS** | **78** | **67** |
| Net exceptional items | (38) | (63) |
| Income tax | (4) | (7) |
| **NET EARNINGS OF CONSOLIDATED COMPANIES** | **36** | **(3)** |
| Share in earnings of companies accounted for by the equity method | 9 | 2 |
| Amortisation of goodwill | (10) | (9) |
| **NET EARNINGS BEFORE MINORITY INTERESTS** | **35** | **(10)** |
| Minority interests | (8) | (7) |
| **CONSOLIDATED NET EARNINGS attributable to the Group** | **27** | **(17)** |

Saur has maintained its market share in a context of fierce competition. Consolidated sales amounted to €1,393 million, 2.7% up on 2002. Sales of Saur France, excluding additional charges collected on behalf of local authorities, increased by 5.5% to €793 million under the dual effect of the summer heatwave and changes to pricing structures.

## 30% of its business outside France

Saur continued to refocus on its most profitable international businesses, selling off a UK subsidiary, Saur Water Services, in September 2003. Sales fell by 12.3%, mostly due to this disposal, though also as a result of exchange-rate factors and changes in the scope of consolidation. Consolidated international sales amounted to €726 million, equivalent to 30% of total sales.

**In Spain,** Emalsa, Gestagua and Sercanarias generated sales of €45 million, the same as in the previous year. Aguas de Valencia (consolidated by the equity method) is implementing the new 50-year contract, signed in 2002, to produce and supply drinking water to the city of Valencia.

**In the UK,** after the disposal of Saur Water Services, the company is considering tenders for management contracts so as to develop its people's skills and know-how.

**In Italy,** sales amounted to €31 million. Saur has taken a 26.5% stake in Umbra Acque, a semi-public corporation created in partnership with the city of Perugia (460,000 inhabitants) to operate the new water resource authority (ATO) for the region.

**In Poland,** Saur Neptun Gdansk generated sales of €30 million.

**In Mali,** sales fell by 5.6% to €36 million. Negotiations have begun with the Mali government to restore the balance of the contract managed by Energie du Mali after the concession granting authority's decision to cut prices.

**In Côte d'Ivoire,** the aggregate sales of C.I.E. (power generation and distribution), Sodeci (water production and distribution), Ciprel (thermal power plant) and Foxtrot (offshore gas production) fell by 8.3% to €367 million as uncertainty continued to plague the country's economy in 2003. However, the decline within Côte d'Ivoire was partially offset by exports, especially to Ghana. Sénégalaise des Eaux continued to grow, reporting a 12% increase in sales to €66 million.

**In Argentina,** Obras Sanitarias de Mendoza, consolidated by the equity method, produces and distributes drinking water for the province of Mendoza. It generated sales of €18 million compared with €20 million in 2002. By keeping tight control over operating costs and capital expenditure, the company was able to keep going in 2003 without calling on its shareholders.

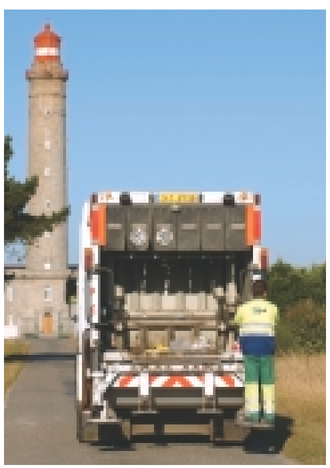
**In Vietnam,** the project to rehabilitate networks at Halong Bay was handed over.

## Environmental services

Coved continued to expand, strengthening its position in the French waste market. In order to concentrate on storage and sorting centres, activities which generate greater value added, it disposed of Cideme, its incineration business, in early 2003. Coved reported sales of €232 million, an increase of 10.7% after adjustment for the sale of Cideme.

A substantial rise in orders booked during the year bears out the forecasts for medium-term growth in all lines of business, especially industrial waste.

The company continued to extend its coverage of the country, building new sorting centres at Marboué (Eure-et-Loir), Honfleur (Calvados), Oignies (Pas-de-Calais) and Béziers (Hérault). An essential link in the recycling chain, sorting centres have become indispensable as local authorities gradually introduce selective waste collection.



## Stereau: innovative technologies

Stereau, a design and construction subsidiary for wastewater treatment and drinking water production plants, reported a 10% decline in sales to €94 million. The decline was a consequence of the level of orders booked in 2000 and 2001.

The main projects completed during the year were the plants at Caen (415,000 pe*), Alès (100,000 pe) and Châtellerault (93,000 pe).

Stereau is looking to innovative technologies as a source of growth, especially membrane processes, a key element of its strategy. Offering ultrafiltration processes for drinking water, Stereau won contracts at Saint-Sauveur-Landelin (Manche), Rochereau (Vendée) and Roques-sur-Garonne (Haute-Garonne), a plant which will help supply Toulouse with water. The plant currently being built at Guilvinec (Finistère) will be the biggest in France to use membrane technology for wastewater treatment. Solar drying of sludge will soon be used at the plants at Thuit-Signol and La-Couture-Boussey (Eure). This forward-looking process for small plants is in keeping with two other strategic priorities for Stereau: a command of new processes for eliminating sludge, and sustainable development.

At the end of 2003, Stereau was awarded ISO 14001 environmental certification for its process design methodology. Customers can thus be sure that the company's processes are environmentally sound.

* pe: population equivalent.

## OUTLOOK FOR 2004

Saur is aiming for top-line growth of 2% at comparable scope. Saur France will pursue steady growth by renewing its portfolio of existing contracts while building up its business with industrial customers. When completed, the deployment of the Saphir CRM software, which entails organisational changes, will make it possible to achieve improved productivity.

At Stereau, the level of orders taken in 2002 was good, and this should ensure top-line growth. In addition, the company has targeted several projects abroad.

The market for environmental services is expanding rapidly. At Coved, the very favourable trend in its order backlog confirms its forecasts of medium-term growth.

Internationally, after the difficulties encountered with all-private concession approach, the various players in the market – national and local governments, international institutions, etc. – are seeking to establish more effective models founded on a better public/private division of roles.

Another feature of 2004 will be the discussions between CIE, its subsidiary in Côte d'Ivoire, and the government there on the national power services concession, which comes to an end in the last quarter of 2005.

# Full-service contractor

| Sales 2003 |
|---|
| €5,002m (-5%*) |

| Earnings before tax and exceptionals |
|---|
| €70m (x2.2*) |

| Net earnings (Group share) |
|---|
| €32m (vs -€37m*) |

| Employees |
|---|
| 37,700 |

| Sales objective 2004 |
|---|
| €5,030m (+1%) |

* pro forma

## Major projects

### Contracts signed

- Renovation of future head-quarters of newspaper Le Monde in Paris (€34m)
- Additional packages of TGV
- Hospital in London (€110m)
- Port of Tangier (€225m)
- Exhibition centre in Turkmenistan (€49m)
- Exhibition centre in Hong Kong (€225m)

### Work in progress

- A28 motorway (France)
- Nuclear simulation centre in Bordeaux (€135m)
- TGV Est rail line (€101m)
- UK Home Office (€325m)
- Groene Hart (Netherlands, €417m) and Ferden (Switzerland, €210m) tunnels
- Motorway in Jamaica (€122m)
- Port of Caucedo in the Dominican Republic (€88m)
- Mosque and museum in Turkmenistan (€117m).

**Bouygues Construction operates in the building, civil works, electrical contracting and maintenance sectors, combining the strength of a large group with the responsiveness of a network of smaller firms. Bouygues Construction has seen a marked improvement in its earnings in recent months.**

The building and civil works sector is distinguished by its size, the very large number of firms that operate within it and the variety of their activities.

Vinci, Eiffage, Spie Batignolles and Fayat are Bouygues Construction's best-known competitors in France but the sector also includes a multitude of other firms.

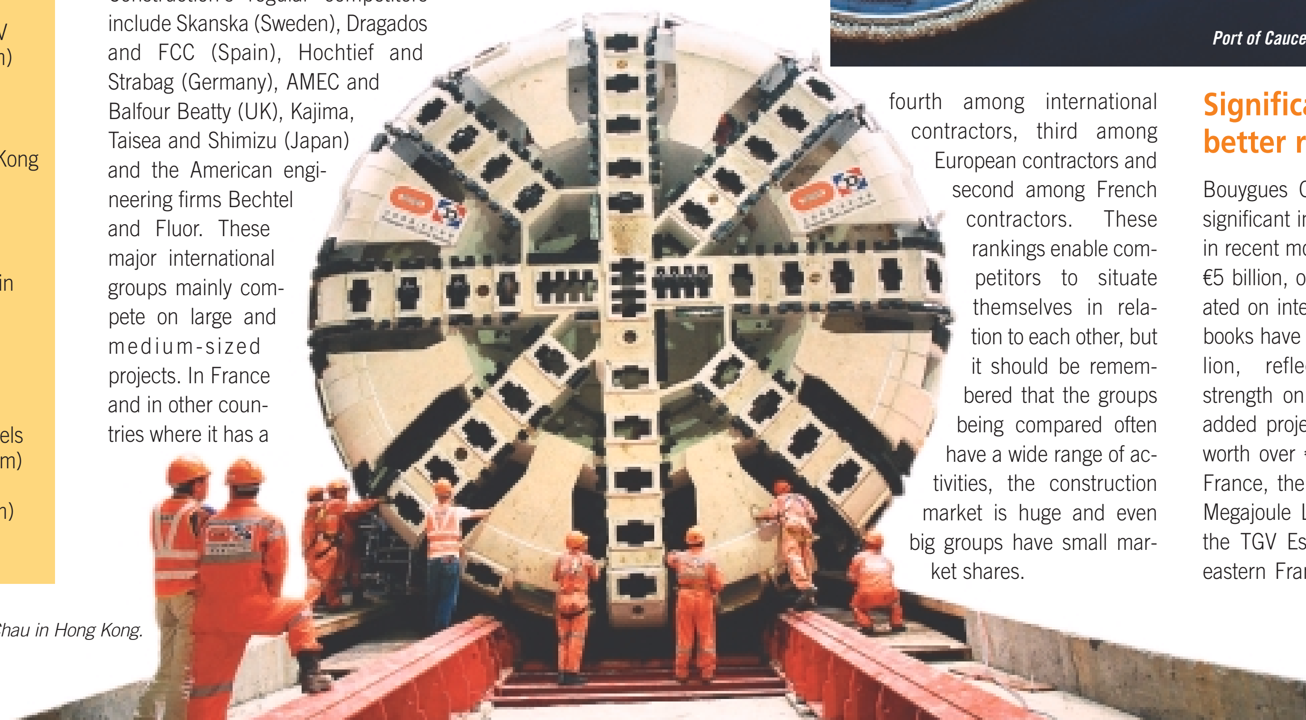
On international markets, Bouygues Construction's regular competitors include Skanska (Sweden), Dragados and FCC (Spain), Hochtief and Strabag (Germany), AMEC and Balfour Beatty (UK), Kajima, Taisea and Shimizu (Japan) and the American engineering firms Bechtel and Fluor. These major international groups mainly compete on large and medium-sized projects. In France and in other countries where it has a long-term presence, Bouygues Construction is in competition with all the firms in the sector.

In the rankings established each year by the American magazine ENR and the French magazine Le Moniteur, for example, the Bouygues group ranks second among full-service contractors (ie, counting all activities, including television and telecoms), fourth among international contractors, third among European contractors and second among French contractors. These rankings enable competitors to situate themselves in relation to each other, but it should be remembered that the groups being compared often have a wide range of activities, the construction market is huge and even big groups have small market shares.

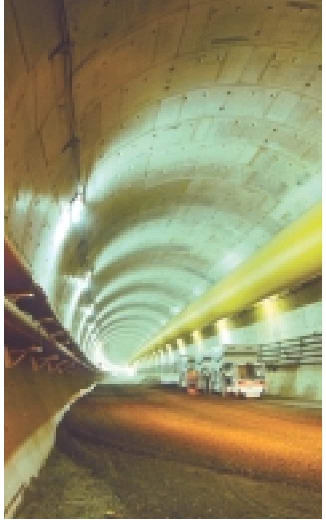
*Port of Caucedo in the Dominican Republic*

## Significantly better results

Bouygues Construction has seen a significant improvement in its results in recent months. It reported sales of €5 billion, of which 41% was generated on international markets. Order books have risen by 12% to €5.4 billion, reflecting the company's strength on large-scale, high value-added projects. It won six contracts worth over €100 million in 2003: in France, the A28 (€668 million), the Megajoule Laser (€133 million) and the TGV Est high-speed rail link to eastern France (€101 million); over-



*TBM on the Lok Ma Chau in Hong Kong.*



seas, the Hong Kong Exhibition Centre (€225 million), the port of Tangier in Morocco (€225 million) and the Central Middlesex Hospital in London (€110 million).

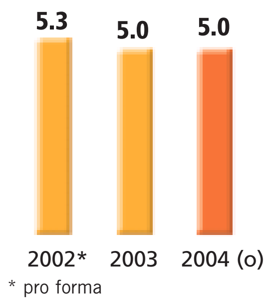
In terms of earnings, 2003 was a year of transition. Although operating income in the building and civil works segments has improved, the full impact of current reorganisations will only be felt in the years to come. The cash position, representing more than €1.3 billion on the consolidated balance sheet, was more than €300 million up on the pro forma figure for 2002, mainly due to tighter control over operating costs in building and civil works activities and advance payments on major projects.

Bouygues Construction is overhauling its structures and working methods so as to combine the strength of a large group with the responsiveness of a network of companies close to their clients. A more streamlined organisation was introduced in early 2003, with eight entities attached directly to Bouygues Construction. At the same time, steps to pool resources have been taken in marketing and sales, innovation, research

***• Order book at a new record high***
***• Earnings rebound confirmed***

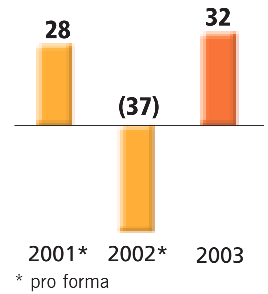
## Sales

In billions of euros

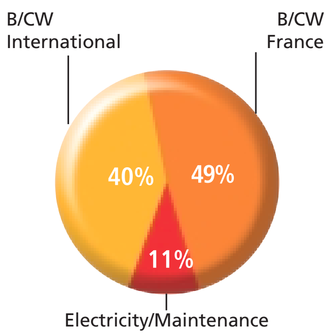



## Net earnings

In millions of euros

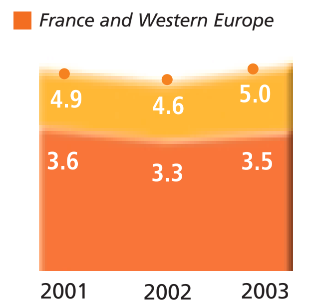



## Sales by segment

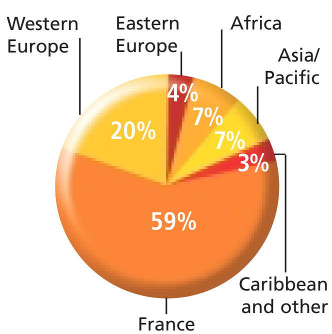



## Order book

In billions of euros

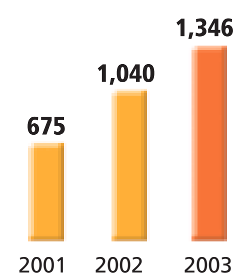



## Sales by geographical zone




## Net cash position

In millions of euros




## Consolidated balance sheet at 31/12

| **ASSETS** *(in millions of euros)* | **2002** | **2003** |
|---|---|---|
| **FIXED ASSETS** | **663** | **590** |
| Inventories | 78 | 81 |
| Trade and other receivables | 2,039 | 1,962 |
| **CURRENT ASSETS** | **2,117** | **2,043** |
| Cash and cash equivalents | 1,288 | 1,572 |
| **TOTAL ASSETS** | **4,068** | **4,205** |
| | | |
| **EQUITY AND LIABILITIES** *(in millions of euros)* | | |
| Authorised capital and reserves | 210 | 222 |
| Minority interests | 5 | 6 |
| **SHAREHOLDERS' EQUITY** | **215** | **228** |
| Other equity | - | - |
| **SHAREHOLDERS' EQUITY AND OTHER EQUITY** | **215** | **228** |
| Provisions for liabilities and charges | 522 | 542 |
| Financial liabilities | 134 | 149 |
| **LONG-TERM CAPITAL** | **871** | **919** |
| **CURRENT LIABILITIES** | **3,069** | **3,209** |
| Short-term bank borrowings and overdrafts | 128 | 77 |
| **TOTAL EQUITY AND LIABILITIES** | **4,068** | **4,205** |

## Consolidated income statement

| *(in millions of euros)* | **2002** | **2003** |
|---|---|---|
| **SALES** | **5,253** | **5,002** |
| **OPERATING INCOME** | **4** | **37** |
| Net financial items | 28 | 33 |
| **EARNINGS BEFORE TAX AND EXCEPTIONAL ITEMS** | **32** | **70** |
| Net exceptional items | (44) | (12) |
| Income tax | (26) | (27) |
| **NET EARNINGS OF CONSOLIDATED COMPANIES** | **(38)** | **31** |
| Share in earnings of companies accounted for by the equity method | 2 | 3 |
| Amortisation of goodwill | - | - |
| **NET EARNINGS BEFORE MINORITY INTERESTS** | **(36)** | **34** |
| Minority interests | (1) | (2) |
| **CONSOLIDATED NET EARNINGS attributable to the Group** | **(37)** | **32** |

and development, information systems, productivity and purchasing.

In 2003, Bouygues Construction sold off Rinaldi Structal, Intrafor France's business and TRAC, a concession operator in South Africa.


Anguienne viaduct

## Building and civil works

Sales in the building and civil works sector fell by 6% to €4.45 billion in 2003, divided fairly evenly between the domestic market (€2.48 billion) and international markets (€1.97 billion).

### France

**The building market** remained flat, as in the previous year, albeit at a high level in the regions, sustained by maintenance and renovation work.

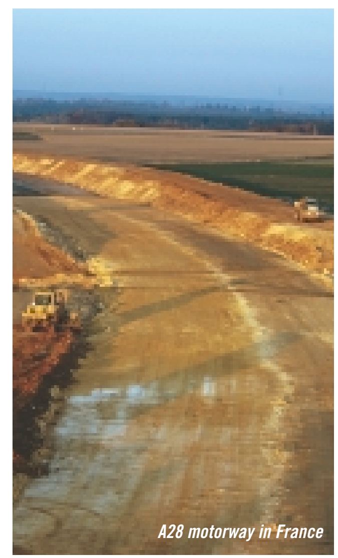
In the Paris region, Bouygues Bâtiment reported a 12% decline which reflected the downturn on the market as a whole, especially for large-scale office developments. Two renovation projects were completed in 2003: the Haussmann-era office buildings on rue Pillet-Will (€59 million) and the Grand Hotel (€75 million). Several other major projects were clinched, including the 21,800 m$^2$ M3G development (€39 million) in the new Paris Left Bank business district, the renovation of the future Le Monde headquarters (€34 million) and the construction of a residential and office complex at Puteaux (€22 million).


Central Middlesex Hospital in London (€110m)

Elsewhere in France, local subsidiaries operating in both the building and civil works segments reported a 7% increase in sales in 2003, mostly as a result of investment in public infrastructure projects. A number of major civil works projects are under way, including the A28 motorway and the Megajoule Laser, the world's second largest nuclear simulation centre (€133 million). The Hôtel Hermitage in Monaco was delivered after a complete renovation, including the raising of two levels of the hotel and new facades reproducing the Belle Epoque style. Subsidiaries also won contracts for several packages of the TGV Est high-speed rail link to eastern France with Bouygues Travaux Publics and for the renovation of the military hospital in Arras (€44 million).

**Bouygues Travaux Publics** reported a substantial rise in sales in France, from €107 million in 2002 to €189 million in 2003, due to the start of work on major infrastructure projects:

- several packages of the TGV Est (€101 million), which will link Paris and Strasbourg and then connect to the German rail network,
- the A28 motorway, a concession involving the financing, design, construction and operation for 62 years of a 125 km motorway stretch linking Rouen and Alençon.


A28 motorway in France

Sales at VSL-Intrafor, a subsidiary specialising in post-tensioning works, fell to €24 million in 2003 (€41 million in 2002 like-on-like). Intrafor France's business was sold in October 2003.

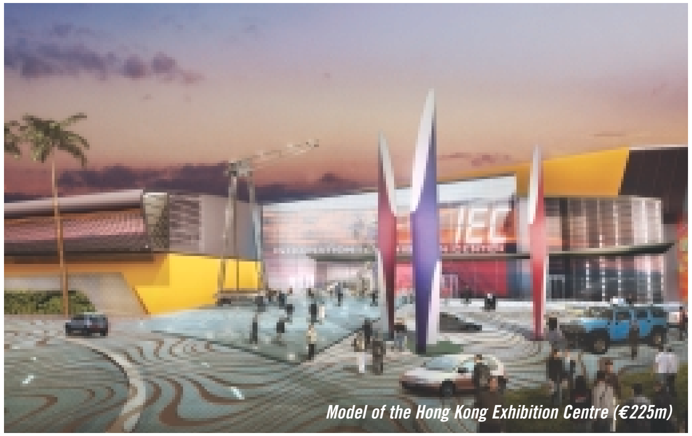
DTP Terrassement, an earthworks subsidiary, increased its sales from €45 million in 2002 to €145 million in 2003 as a result of major infrastructure projects and good weather conditions.

### International

Outside France, Bouygues Construction operates through local subsidiaries or consortia set up for specific projects.

**In western Europe,** the markets on which Bouygues Construction operates are holding firm. The group has little exposure in countries experiencing difficulties, such as Germany and Portugal. However, sales fell by 16% overall, mainly as a result of the completion of major projects and a decline in business in Switzerland.

Bouygues Construction has confirmed its positioning on financed projects and intensive restructuring projects with high value-added. It completed the road tunnel under the river Warnow at Rostock in Germany (€157 million) and is building the Groene Hart 15m diameter single-tube tunnel in the Netherlands. Work is also proceeding at the Home Office headquarters building in the UK, a €325 million design-build project with a 26-year facilities management package worth €15 million a year.

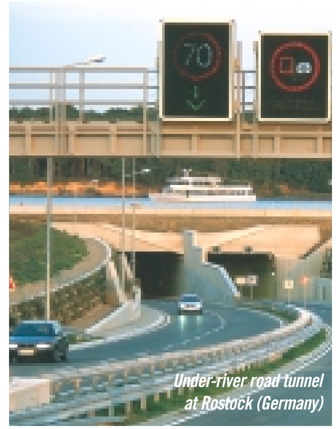



*Model of the Hong Kong Exhibition Centre (€225m)*

Bouygues UK was chosen to provide the same services on a 30-year contract for the Central Middlesex Hospital in London (€110 million). Coming after the Barnet and West Middlesex hospitals and the King's College and Home Office projects, it is another feather in the cap for Bouygues UK under the Private Finance Initiative, whereby the government entrusts the private sector with design, construction, financing and infrastructure management.

**In central and eastern Europe,** Bouygues Construction is carrying out large-scale projects in Turkmenistan, where business remains firm and new orders have been booked for a Theatre of Dramatic Arts, Foreign Trade Bank, Agricultural Bank, Fine Arts Museum and Exhibition Centre for a total of €189 million. Russia continues to be a market where Bouygues Construction takes advantage of opportunities as they arise. In 2003, it was awarded the contract to build an office complex on Sakhalin Island (€55 million). In the Czech Republic, construction work is under way on the Smichov Hotel for the Accor group (€7 million). The Krivan Hotel in Prague was completed (€7 million), as was the Budapest sports arena in Hungary. Designed and built in a public-private partnership, it will be operated by Bouygues Construction for 20 years.

**In the Asia-Pacific region,** business is picking up again after a decline lasting several years. A long-standing player in the region, Bouygues Construction regards the market as important despite contrasting trends in the recent past and believes it has the necessary skills to succeed. In Hong Kong, the group has been awarded a contract to design, build, co-finance and operate for 25 years the first phase of the 66,000 m² exhibition centre (€225 million). It has also won contracts for two housing developments in Thailand: 111 luxury villas at Baan Sathom (€11.5 million) and a 92-dwelling residential complex (€16.4 million). Work is continuing on the Lok Ma Chau project, which includes four tunnels for power transmission cables with a total length of 5.1 km (€72 million).




*Under-river road tunnel at Rostock (Germany)*

**In central America and the Caribbean,** Bouygues Construction has benefited from recent growth working on a number of major transport infrastructure projects in the region:

- Highway 2000 (€122 million), a 35-year concession for Jamaica's first toll motorway, the first section of which was opened in 2003;
- a container port at Caucedo in the Dominican Republic (€88 million);
- the Unity bridge at Monterrey in Mexico (€15 million), built by VSL Mexico in a joint venture with a local firm and opened in August 2003.

Bouygues Construction is also helping to develop tourism facilities in the region with the construction of three hotels in Cuba for a total of €122 million.

**In Africa,** business remained steady thanks to ongoing projects like the construction of field facilities for Esso in Chad (orders worth €27 million were booked in 2003). Bouygues Construction is building oilfield facilities on a site 50 km long, together with two pumping stations and a pressure reduction plant on the route of the pipeline in Cameroon. The project will end in 2004. In Nigeria, Bouygues Construction completed the Heineken brewery at Enugu (€50 million) and the 22,000 m² Olympic stadium at Abuja (€107 million). Sales in 2004 should be boosted by the start of work on the port of Tangier project in Morocco (€225 million). Bouygues Construction, in a consortium with Saipem, is carrying out the first phase of the new commercial port, including a breakwater with forty precast reinforced concrete caissons.

## Electrical contracting and maintenance

ETDE has three lines of business:

- utility networks: design, engineering, construction and maintenance of networks for local authorities, EDG-GDF, industry, motorway companies, etc.;
- electrical and thermal engineering: design, construction and maintenance of facilities for the industrial and services sector, transport and environmental infrastructure, etc.;
- facilities management for the headquarters buildings of major public and private companies and for public institutions such as schools, hospitals, ministries, etc.

ETDE reported an 11% rise in sales to €554 million. In 2003, it was awarded contracts to supply electrical equipment to Aéroports de Paris (€2.7 million) and Elytra (€2.2 million) and a power transmission line in Marseille. On international markets, Bouygues Bâtiment International entrusted ETDE with work on the Kiptchak mosque (€3.7 million), the presidential palace (€3.8 million) and the exhibition centre in Turkmenistan. It also installed floodlighting for Malabo stadium in Equatorial Guinea.

Continuing its strategy of external growth in the electrical contracting business, ETDE acquired six new companies in 2003.

### OUTLOOK FOR 2004

In France, the building market is set to stabilise after the slowdown seen in 2003. Some signs of recovery are appearing in the residential sector. The maintenance and renovation business, which is relatively non-cyclical, will continue to grow.

Activity in civil works should hold steady thanks to private financing of public investment projects, particularly for transport infrastructure.

Internationally, economic uncertainties threaten to weigh on the construction industry. However, the United Kingdom and Asia, where Bouygues Construction has recently signed some large contracts, will be areas of strong activity.

The electrical contracting division, with its external growth strategy, is set to keep advancing.

At year-end 2003, new orders stood at €5.4 billion, compared with €4.9 billion at year-end 2002.

# World leader in roadworks

| Sales 2003 |
|---|
| €7,426m (=) |

| Operating income |
|---|
| €262m (-10%) |

| Net earnings (Group share) |
|---|
| €204m (-2%) |

| Employees |
|---|
| 53,100 |

| Sales objective 2004 |
|---|
| €7,620m (+3%) |

## Significant events

### Notable projects

- France: building 27 km of the A89 motorway, repairing 50 km of the A10 and 14 km of the Cannes-Grasse rail line, constructing several packages of the Bordeaux tram line and the Dourges logistics platform, roofing and cladding of the Grande Halle exhibition centre in central France, signalling for terminal 2E at Charles de Gaulle airport.
- International: building 42 km of motorway in Romania, 80 km of roads in Madagascar and 37 km in Georgia (United States).

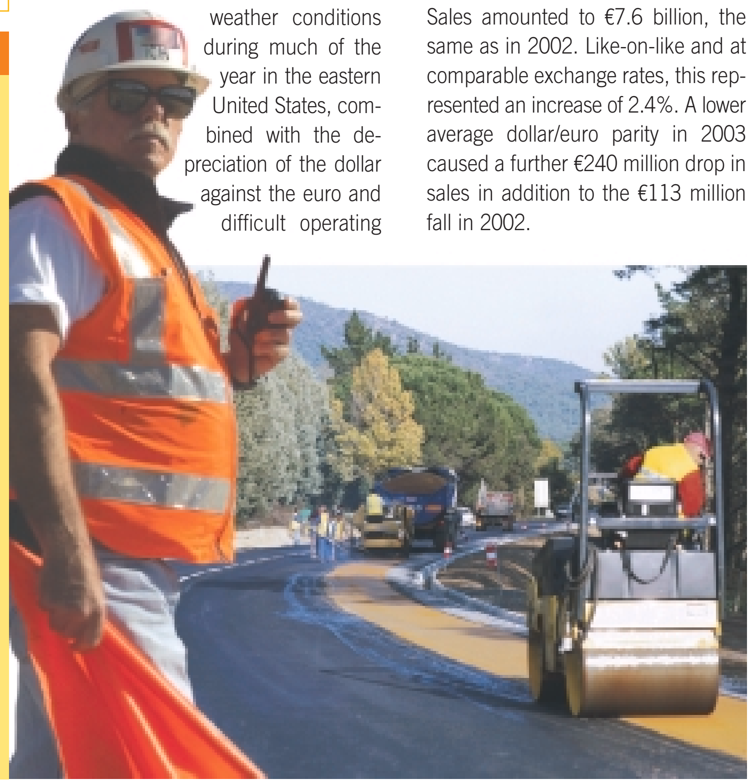
### Production of materials

- 93.5 million tonnes of aggregates, 51 million tonnes of asphalt mixes, 1.3 million tonnes of emulsions and binders (world's largest producer).
- Colas has 20–25 years of reserves of roadbuilding materials.

***Operating in all segments of the roads and transport infrastructure sector and present in over 40 countries, Colas also covers the full range of industrial activities upstream, from quarries and asphalt plants to emulsion and binder plants. Once again, it performed well in 2003.***

In 2003, Colas did most of its business on flat or slowly growing markets, recording a slight increase in sales without any significant contribution from external growth. Appalling weather conditions during much of the year in the eastern United States, combined with the depreciation of the dollar against the euro and difficult operating conditions on certain projects in Africa, were almost entirely offset by solid performances elsewhere, especially in France and central Europe.

Sales amounted to €7.6 billion, the same as in 2002. Like-on-like and at comparable exchange rates, this represented an increase of 2.4%. A lower average dollar/euro parity in 2003 caused a further €240 million drop in sales in addition to the €113 million fall in 2002.



## Good performance in France

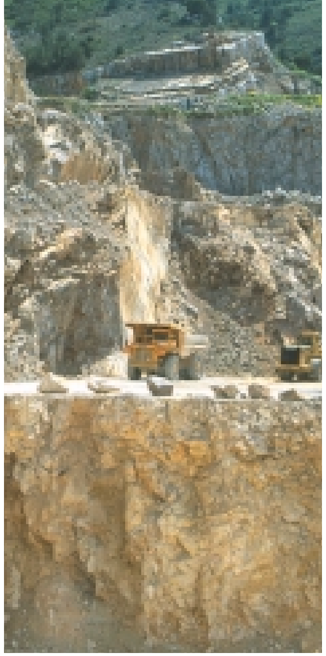
Sales in metropolitan France rose by 3.9% to €4,372 million (3% like-on-like).

### Roads

In a market which grew by an estimated 2%, Colas's sixteen regional roads subsidiaries increased their sales by 3%. After a slow start to the year, better weather conditions in the second quarter gave a lift to the roads business. Local authority and private sector investment was higher than had been expected, offsetting a further decline in central government spending under regional planning contracts. However, sustained activity was not sufficient to forestall a significant fall in overall price levels.

Trends on regional roads markets varied: the ongoing decline in activity in Picardy and in northern and eastern France contrasted with growth in the south of France, where there were more projects.

Various acquisitions enabled the group to continue expanding its production of aggregates. In particular, Colas acquired the Castille quarries in the south of France, including two working quarries each producing 450,000 tons of materials a year and



with reserves totalling 12.5 million tonnes.

Regional subsidiaries continued to invest in the recycling of waste and used materials generated by the building and civil works activity. They currently operate 92 fixed or mobile recycling plants.

A large number of road construction and maintenance projects were carried out in 2003 across the entire French road network, from local minor roads to major arterial roads and motorways. Colas also helped to enhance the everyday living environment by laying silent and porous asphalts, landscaping finished projects, building retention basins, public transport infrastructure (tramways, bus lanes) and cycle paths and laying paving and coloured asphalt mixes for pedestrian precincts.

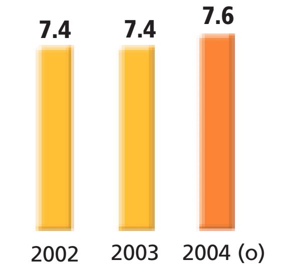
### Safety and signalling

Somaro and its subsidiaries reported a 3% increase in sales. Activity in the

**• *Earnings remained strong despite unfavourable exchange rates***

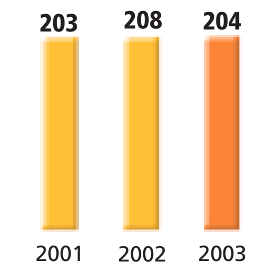
### Sales

In billions of euros



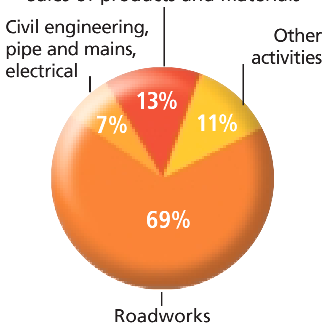

### Net earnings

In millions of euros



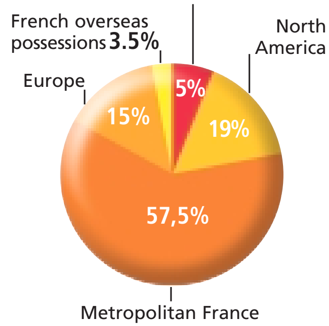

### Sales by segment

Sales of products and materials



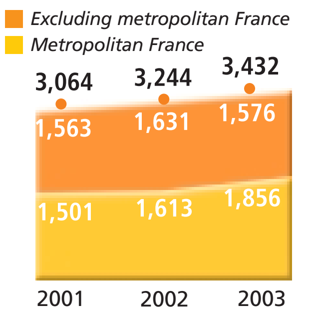

### Sales by region

Africa/Indian Ocean/Asia



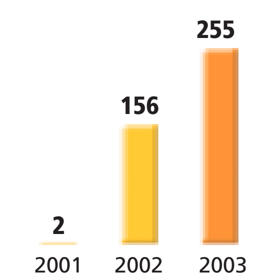

### Order books

In millions of euros at 31 December




### Net debt

In millions of euros at 31 December




## Consolidated balance sheet at 31/12

| **ASSETS** *(in millions of euros)* | **2002** | **2003** |
|---|---|---|
| **FIXED ASSETS** | **1,675** | **1,682** |
| Inventories | 191 | 196 |
| Trade and other receivables | 1,977 | 2,050 |
| **CURRENT ASSETS** | **2,168** | **2,246** |
| Cash and cash equivalents | 383 | 385 |
| **TOTAL ASSETS** | **4,226** | **4,313** |
| **EQUITY AND LIABILITIES** *(in millions of euros)* | | |
| Authorised capital and reserves | 945 | 1,041 |
| Minority interests | 22 | 17 |
| **SHAREHOLDERS' EQUITY** | **967** | **1,058** |
| Other equity | - | - |
| **SHAREHOLDERS' EQUITY AND OTHER EQUITY** | **967** | **1,058** |
| Provisions for liabilities and charges | 458 | 489 |
| Financial liabilities | 161 | 61 |
| **LONG-TERM CAPITAL** | **1,586** | **1,608** |
| **CURRENT LIABILITIES** | **2,574** | **2,636** |
| Short-term bank borrowings and overdrafts | 66 | 69 |
| **TOTAL EQUITY AND LIABILITIES** | **4,226** | **4,313** |

## Consolidated income statement

| *(in millions of euros)* | **2002** | **2003** |
|---|---|---|
| **SALES** | **7,415** | **7,426** |
| **OPERATING INCOME** | **292** | **262** |
| Net financial items | (13) | (1) |
| **EARNINGS BEFORE TAX AND EXCEPTIONAL ITEMS** | **279** | **261** |
| Net exceptional items | 1 | 2 |
| Income tax | (100) | (85) |
| **NET EARNINGS OF CONSOLIDATED COMPANIES** | **180** | **178** |
| Share in earnings of companies accounted for by the equity method | 38 | 38 |
| Amortisation of goodwill | (12) | (12) |
| **NET EARNINGS BEFORE MINORITY INTERESTS** | **206** | **204** |
| Minority interests | 2 | - |
| **CONSOLIDATED NET EARNINGS attributable to the Group** | **208** | **204** |

Enterprise division was sustained by new maintenance contracts and the installation of safety barriers on new motorways (A432, A41, A87, A89, etc.), whereas market conditions for SES and the signalling subsidiaries were difficult. The Maintenance and Services division reported satisfactory sales of its manufactured products (safety trailers, construction lights and signals, etc.) and an increase in traffic light maintenance.


### Pipes and mains

Pipes and mains activity declined due to a reduction in the number of major pipeline projects and deep cuts in EDF and GDF investment and maintenance budgets.

### Waterproofing

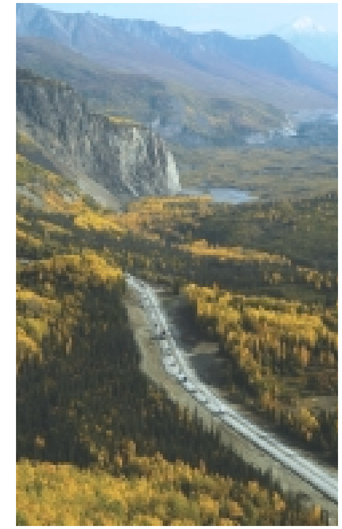
In a context of lower private sector investment, the sales figures for Smac Acieroïd and its subsidiaries were broadly comparable with last year's, sustained by an increase in the number of projects for public sector clients. Axter, a Smac Acieroïd subsidiary, completed its new manufacturing facility at Courchelettes in northern France, capable of producing over 30 million $m^2$ of bituminous waterproofing membranes a year.

### Rail

Seco-Rail and its subsidiaries reported a 15% increase in sales. In France, tramways and regional railway lines offset the decline in maintenance contracts with SNCF. Seco-Rail is part of a consortium that was awarded packages 2 and 3 of the new TGV Est high-speed rail link involving the construction, from end-2004, of 380 km of railway (190 km of line) between Châlons-en-Champagne and Baudrecourt.

## International markets: growth in Europe

Sales on international markets and in France's overseas departments and territories fell by 4.9% to €3.2 billion, though like-on-like and at comparable exchange rates they actually rose by 2%.



### Europe

Sales outside France rose by 6% to €1,121 million. Business was stable in Belgium but slowed in Denmark as a result of cuts in road maintenance budgets and the lack of major infrastructure projects. In the UK, Colas strengthened its positions in new forms of construction and maintenance contracts. In Ireland, production of emulsions remained at the same level as in the previous year. In Switzerland, on a roads market as thin as ever, sales fell back slightly. Sales in central Europe, especially Hungary, the Czech Republic and Romania, increased by a further 19% in 2003.

### North America

North American sales amounted to €1,468 million compared with €1,700 million in 2002. Like-on-like and at comparable exchange rates, however, the figure was almost the same as in the previous year, down a mere 1%.

Three factors contributed to flat or falling markets in the United States in 2003: the overall state of the economy, reflected in low levels of private sector investment; uncertainty about the renewals of TEA-21, the multi-year transport infrastructure plan; and exceptionally wet weather in the eastern part of the country which held up the normal progress of work. Both sales and earnings declined as a consequence. In Canada, favourable economic conditions stimulated by the growth of the oil industry boosted sales in Alberta and British Columbia. The acquisition of two companies in the south-east of British Columbia strengthened the group's positions in the region. It also performed well in the horizontal markings and bitumen segments. Sales at its Quebec subsidiary fell back from the high level they had reached in 2002.

### Africa – Indian Ocean

In Morocco, sales remained stable in 2003 supported by a constant volume of major works and an increase in traditional business. The Casablanca bypass motorway, a difficult project, was completed.

Sales in West Africa fell back. In Côte d'Ivoire, all work has been suspended since September 2002 and materials and equipment supply was disrupted by border closures. Sales in Mali and Gabon fell, though sales in Benin and Burkina Faso were comparable to the previous year's levels.

Business in the Indian Ocean continued to thrive in a highly competitive environment, boosted by forthcoming major projects in La Réunion and Mayotte and international funding for infrastructure projects in Madagascar. In southern Africa, the production and laying of road binders is increasing, benefiting from the rationalisation of the network of emulsion plants in the region and an increase in roads budgets in South Africa and Namibia.

### Asia

In Thailand, where road maintenance budgets shrank for the sixth year running, the effects of lower sales of aggregates and emulsions were partially offset by rising exports of bitumen to China and Vietnam. In China, 2003 was a year of transition. In India, sales by volume and value increased following the opening of a fourth plant in the state of Gujarat. Three expansion plans are being considered. In Indonesia, a difficult start to the year was followed by a more encouraging pattern.

### OUTLOOK FOR 2004

The order book was up 8% at end January 2004, and business is off to a good start in the first quarter. Weather-related uncertainties call for continued caution, but the general level of confidence is higher than it was last year at the same time.

Colas has many strengths: a network of profitable businesses in which much of the activity is non-cyclical; a large share of industrial activities; a revenue stream earned 95% in developed countries; solid finances; and 1,200 business units in close proximity to their markets.

After two years of limited external growth, and with privatisation of France's motorway network ruled out for the time being, Colas is set to resume an acquisition strategy oriented towards industrial activities, notably production of aggregates, and new acquisitions in North America and Europe. If international economic conditions improve, and depending on what opportunities arise, Colas could see renewed growth in 2004.

Bouygues Immobilier

| Sales 2003 |
| --- |
| €1,230m (-5%) |

| Operating income |
| --- |
| €80m (+29%) |

| Net earnings (Group share) |
| --- |
| €44m (+19%) |

| Employees |
| --- |
| 800 |

| Sales objective 2004 |
| --- |
| €1,250m (+2%) |

## Significant events

**Commercial/Corporate**

- Delivery of headquarters buildings for Taylor Nelson Sofres and Steria; offices for Danone in Lisbon; the Innovatis building in Saint-Denis and the Grand Large building in Marseille.
- Last fully-serviced development site at La Défense acquired.
- Continued development of shopping centres in Spain and Portugal.

**Residential**

- Contracts signed for first High Environmental Quality programmes in Rueil-Malmaison and Roissy-en-Brie.
- First commercial launch of a residential programme in Warsaw, Poland.

**Quality**

- ISO 9001 certification (2000 version) achieved for all activities in France and Spain.

# A leader in property development

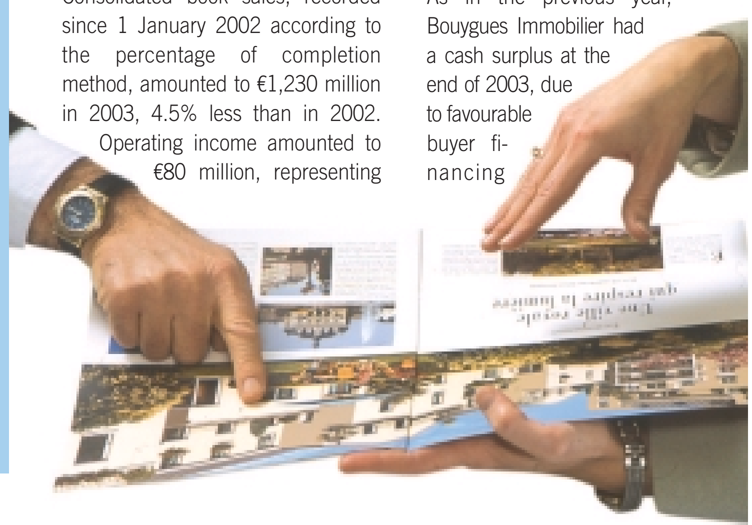
***Bouygues Immobilier is active in all areas of private property development, including apartment buildings, cluster housing, office and retail space, hotels and land development. Continuing to strengthen its financial position, the company reported excellent sales and a 19% increase in earnings.***

In France, Bouygues Immobilier's main private sector rivals are Meunier Promotion, Kaufman and Broad, Cogedim and Nexity. With 5,400 units sold in 2003, Bouygues Immobilier is France's second largest housing developer behind Nexity. It is the leading developer of office space, its main rivals being land development companies and British or American property developers.

Consolidated book sales, recorded since 1 January 2002 according to the percentage of completion method, amounted to €1,230 million in 2003, 4.5% less than in 2002. Operating income amounted to €80 million, representing 6.5% of sales. A 29% increase in relation to the previous year, it highlights improved profitability attributable mainly to higher housing prices and better productivity. Net earnings attributable to the Group rose by 19% to €44 million.

Forward sales remained firm: reservations amounting to €1,397 million were taken, 38% more than in 2002.

As in the previous year, Bouygues Immobilier had a cash surplus at the end of 2003, due to favourable buyer financing terms for major corporate property developments, deferred payment terms for major land acquisitions and the high level of housing sales.



## Housing: a thriving market

The housing sector continued to thrive, sustained by historically low interest rates, strong demand for rental housing and tax breaks. Over 5,400 housing units were reserved for a total of €806 million, an increase of 24% by value on 2002.

An increase in population flows towards the Atlantic crescent and the south and south-east of France generated substantial demand for both primary and second homes. Growth was driven by a 37% increase in sales in the regions, compared with 19% in the Paris region. These figures are slightly higher than the projected market trends. Housing production rose by 17%, in line with the increase in sales.

## Corporate/commercial property

Despite a relatively unfavourable economic climate, demand stabilised after the downturn in 2002. Bouygues Immobilier achieved excellent commercial results, taking reservations

for 163,000 m² of offices, shops, hotels and business premises for a total of €591 million, an increase of 61% by value. This was mainly due to the conclusion of negotiations begun in 2002 for two major developments in Paris and the marketing of two other developments in Spain.

Despite the rise in reservations, book sales in the corporate/commercial property segment fell by 24% due to the completion of major projects during the year and the progress status by year-end 2003 of new projects brought to market.

## Operations in four European countries

Present in Spain, Portugal, Poland and Germany, Bouygues Immobilier reported a slight decline in sales outside France, which accounted for 9% of total sales.

In Spain, Bouygues Immobilier develops offices and business parks and has recently diversified into housing. Its Spanish subsidiary started marketing two large office developments in Madrid in 2003. In Poland, a country with considerable growth potential in the housing sector, Bouygues Immobilier continued to market an 80-unit apartment block in Warsaw. Local subsidiaries in Portugal and Germany continued to develop offices and business premises.

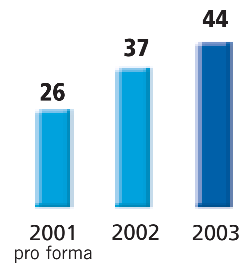
***• Cash flow positive for the 3rd straight year***
***• Strong sales activity***

### Sales

In millions of euros

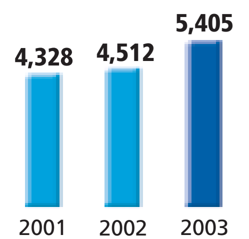

### Net earnings

In millions of euros



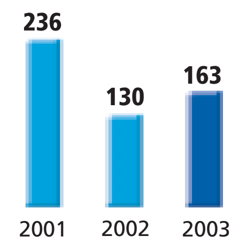

### Residential property

Housing reservations




### Commercial property

Reservations in thousand sq.m.




## OUTLOOK FOR 2004

Bouygues Immobilier is intent on strengthening its leading position in property development in France and becoming a major player in Europe. Its key strategic objectives for 2004 are:

- Pursue rapid but prudent growth by expanding in the residential sector, mainly in the regions. Emphasise risk management in the office property business, and concentrate efforts outside France on the Iberian peninsula and Poland.
- Maintain high profitability.
- Keep financial structure solid by controlling the amount of debt.

Sales in 2004 are set to hold steady thanks to the strong sales activity in 2003. The company foresees a slight increase in housing reservations in a market that is levelling off and moderate activity in business property. The aggregate value of reservations is therefore expected to decline slightly.

### Consolidated balance sheet at 31/12

| **ASSETS** *(in millions of euros)* | **2002** | **2003** |
|---|---|---|
| **FIXED ASSETS** | **120** | **110** |
| Inventories | 608 | 667 |
| Trade and other receivables | 841 | 954 |
| **CURRENT ASSETS** | **1,449** | **1,621** |
| Cash and cash equivalents | 94 | 133 |
| **TOTAL ASSETS** | **1,663** | **1,864** |
| **EQUITY AND LIABILITIES** *(in millions of euros)* | | |
| Authorised capital and reserves | 183 | 203 |
| Minority interests | 12 | 15 |
| **SHAREHOLDERS' EQUITY** | **195** | **218** |
| Other equity | - | - |
| **SHAREHOLDERS' EQUITY AND OTHER EQUITY** | **195** | **218** |
| Provisions for liabilities and charges | 97 | 107 |
| Financial liabilities | 61 | 45 |
| **LONG-TERM CAPITAL** | **353** | **370** |
| **CURRENT LIABILITIES** | **1,307** | **1,494** |
| Short-term bank borrowings and overdrafts | 3 | - |
| **TOTAL EQUITY AND LIABILITIES** | **1,663** | **1,864** |

### Consolidated income statement

| *(in millions of euros)* | **2002** | **2003** |
|---|---|---|
| **SALES** | **1,288** | **1,230** |
| **OPERATING INCOME** | **62** | **80** |
| Net financial items | (12) | (13) |
| **EARNINGS BEFORE TAX AND EXCEPTIONAL ITEMS** | **50** | **67** |
| Net exceptional items | 4 | (7) |
| Income tax | (15) | (12) |
| **NET EARNINGS OF CONSOLIDATED COMPANIES** | **39** | **48** |
| Share in earnings of companies accounted for by the equity method | - | - |
| Amortisation of goodwill | - | - |
| **NET EARNINGS BEFORE MINORITY INTERESTS** | **39** | **48** |
| Minority interests | (2) | (4) |
| **CONSOLIDATED NET EARNINGS attributable to the Group** | **37** | **44** |

# Bouygues SA

| Sales 2003 |
|---|
| €62m (-1%) |

| Operating income |
|---|
| -€24m (+21%) |

| Net earnings (Group share) |
|---|
| €216m (+79%) |

| Employees |
|---|
| 230 |

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

## Increased stake in Bouygues Telecom

On 5 March 2003, under the terms of an agreement concluded on 16 January 2003, Bouygues acquired 5.8% of Bouygues Telecom's capital for €334 million, increasing its stake in the company to 72.9%. At the same time, it took over 7.5% of outstanding shareholder loans from E.ON for €60 million.

The agreement also allowed Bouygues to exercise an option granted by E.ON to buy the remainder of its interest at any time up to 14 October 2005. Exercising its option, on 30 December 2003 Bouygues acquired E.ON's remaining 10.1% stake for €609.5 million, increasing its interest in Bouygues Telecom to 83%. At the same time, Bouygues assumed E.ON's subordinated loans, which amounted to €82 million in principal and interest.

On 25 November 2003, Bouygues SA tapped the financial market with a €750 million bond issue outside France. 750,000 bearer bonds maturing 25 February 2011 were issued for €1,000 par at a fixed rate of 4.625%. The proceeds from the bond issue are intended to refinance Bouygues' acquisition of E.ON's remaining 10.1% stake in Bouygues Telecom over the long term.

The merger in June 2003 of BDT and Bouygues Telecom, effective retroactively from 1 January 2003, has simplified Bouygues Telecom's shareholder structure, with Bouygues SA and BDT's other shareholders becoming direct shareholders in Bouygues Telecom.

## Services provided to subsidiaries

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

## Management and coordination

Bouygues SA also plays an important role in encouraging exchanges and ensuring maximum benefit from the accumulated experience within the Group, and in promoting personal development and the Group's corporate values and spirit.

## Financial flows

In 2003, Bouygues SA received dividends totalling €192,472,322 from the following subsidiaries:

| | |
|---|---|
| TF1 | €57,496,958 |
| Saur | €6,021,891 |
| Bouygues Construction | €17,051,300 |
| Colas | €85,166,099 |
| Bouygues Immobilier | €24,030,000 |
| Other | €2,706,074 |

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 subsidiaries can be used in addition to or in place of confirmed lines of credit granted by credit institutions to other subsidiaries.

## Events in the Group since 1 January 2004

Bouygues Telecom launched new products in early 2004, including Wi-Fi services for corporate customers and cut-price SMS services for customers with a Nomad card.

GSM licences expire in 2006 for Orange and SFR and in 2009 for Bouygues Telecom. The licences are due to be renewed for a further fifteen years. On 19 March 2004, the French government announced its decision to levy a new annual fee amounting to 1% of each operator's GSM sales as of renewal of their licence (ie, in 2009 for Bouygues Telecom). The annual flat fee already paid by the operators has been prolonged and will rise from €22 million to €25 million. For information, each operator had to pay a one-off fee of €619 million when the UMTS licences were granted and is required to pay an additional annual fee of 1% of UMTS sales.

The government has also asked the operators to continue cutting SMS prices and to accelerate coverage of rural areas. The conditions under which these "blind spots" are to be covered, especially the question of who will bear the costs, will be decided in the next few months.

In February 2004 TF1, with Holland Coordinator and Services BV, a company controlled by Mr. Tarak Ben Ammar, launched a new TV project in Italy. Under the terms of their agreement, TF1 will buy up to 49% of Europa TV and Prima TV. Europa TV is launching an unscrambled nationwide sports channel called Sportitalia. Prima TV is authorised to carry out experimental nationwide digital terrestrial broadcasting and is planning to distribute four TV channels.

Bouygues Construction has concluded a number of major contracts, including a new factory for PSA Peugeot Citroën in Slovakia (worth €125 million in partnership with Cegelec and Zipp, a Slovak company), an assistance contract for construction of the Olympic stadium in Beijing, and restructuring of the Le Bachelard building for La Poste in Paris, a project worth €40 million.

Colas has won a number of international contracts worth a total of €100 million.

In March 2004 Bouygues, in accordance with the terms of the Océane issue agreement, decided to exercise its option of redeeming in advance all the Océane bonds issued on 4 February 1999.

# Environmental and social information
# Risks

# Bouygues, *a responsible entrepreneur*

The Group's different businesses are concerned by environmental issues to varying degrees. Bouygues sees its responsibility to the environment in terms of a dual imperative: complying with regulations relating to environmental protection, and the promotion alongside local authorities and customers of solutions which take best account of environmental requirements.

No listed company in France has more employee shareholders than Bouygues. As such, it has always placed its people at the centre of its concerns. Safety in particular is a top priority and a major focus of training.

In all its lines of business, the Group is motivated by a single concern: to serve its customers. This quality policy is central to its values, the aim being to understand what customers want and to meet their needs with effective and innovative solutions that respect the environment.

## Options for progress

For the Bouygues group, as well as the need to be beyond reproach in its compliance with the regulations, the main priorities are:

- **listening** to stakeholders,
- **raising awareness** among employees and training them,
- **innovating** so as to propose the most environmentally sound solutions while improving the competitiveness of products and services,
- **encouraging the authorities** to use procedures, especially consultative procedures, which embrace all social and environmental parameters, price being no longer the sole criterion of choice.

## Organisation

Rather than taking a centralised and top-down approach, Bouygues has preferred a system in which each business area is responsible for its own social and environmental strategies and action plans. The parent company, Bouygues SA, encourages each line of business to make a proactive and genuine commitment to progress.

Bouygues Telecom, Saur and Colas have signed up to the Global Compact. Created by the UN in 1999, it unites firms worldwide in a proactive commitment to support nine key principles relating to human rights, labour and the environment.

This report is therefore only a summary and synthesis of the reports prepared by each of the Bouygues Group's six business areas. More detailed information about each one can be found on the corresponding websites.

# The environment, a commitment

***Motivated by a constant concern to integrate their projects and activities into the living environment, the Group's business areas are gradually organising their strategies and their environmental initiatives.***

## Managing natural resources

Limiting consumption of water, raw materials and energy is one area for improvement common to all the Group's businesses.

Bouygues Telecom has introduced a practical programme to track power and paper consumption. Electricity is saved by turning lights at telecom sites on and off automatically and by greater use of automatic screen savers in offices. Paper is saved by reducing the weight of the paper used for certain documents and an ambitious programme to computerise administrative documents.

Saur, as a network operator, is constantly engaged in the conservation of water resources by monitoring and limiting leaks of drinking water. In order to limit energy consumption, Coved uses a geopositioning system to optimise its vehicles' household waste collection rounds.

In the building sector, Bouygues Construction and Bouygues Immobilier have developed know-how in the construction of High Environmental Quality (HEQ) buildings. The aim of this project management system is to limit environmental impacts throughout all the phases of construction and rehabilitation projects and during the building's lifetime (design, construction, use, maintenance, adaptation, demolition). Reducing water and energy consumption are two of the fourteen HEQ areas for improvement.

Colas constantly innovates to reduce energy consumption in its industrial activities and to limit the amount of natural resources used to make its products. For example, it has created Neophalte, an asphalt containing an additive that cuts the heating temperature from 250° to 150°. In 2003, Colas developed a revolutionary bitumen-free binder of exclusively vegetal origin.

*Bouygues Telecom seeks to integrate its equipment into the environment*

## Taking account of the ecosystem

Each of the Group's business areas tries to ensure that its technical equipment and facilities blend as smoothly as possible into the environment.

Bouygues Telecom constantly seeks to improve the integration of its telecom sites into the landscape. Where classified buildings and protected areas are involved, partnerships are established with architects from local

heritage and cultural authorities. On 1 December 2003, an internal document setting out ten rules for integrating equipment into the environment was issued and circulated to staff.

Integrating projects into the environment is an essential objective for construction businesses. When Bouygues Immobilier embarked on a development project on Army land near Versailles, it emphasised the buildings' harmonious relationship with their immediate environment from the very start of the design phase. The company has built on this know-how as part of a wider reflection begun in 2003 with the aim of addressing the environmental concerns of both customers and public authorities. Two nine-person working groups have been set up to identify and promote environmental best practices within the company.

Taking account of the ecosystem also means respecting local residents and their living environment during construction work.

Bouygues Construction systematically seeks to establish traffic plans with local authorities so as to reduce disturbances around its project sites. Sites in sensitive areas (flood-prone areas or near rivers) are equipped with water treatment units in accordance with the Water Act of 3 January 1992.

On the Domaine Joséphine project at Rueil-Malmaison in the Paris suburbs, Bouygues Immobilier organised its work so as to reduce nuisance (waste sorting, systematic cleaning of plant, reduced noise pollution) and provided local residents with regular information.

In the same spirit, the Group's businesses innovate to improve air quality around project sites. Bouygues Construction uses dust filters and air-suction systems, while Colas has developed the Comporetread process to eliminate dust emissions. The process was used to protect roadside vines during the renovation of the D228 in Champagne.

## Managing waste

The Group's activities generate different types of waste. Waste sorting schemes and systems to track the quantity of waste generated and recycled are being introduced everywhere, either as a matter of choice or in application of new French waste management legislation which came into effect on 1 July 2002.

In 2003, TF1 introduced waste sorting where possible, taking account of the specific characteristics of its sites. Amongst other measures, a waste compactor has been in operation at its headquarters since August 2003. The compressed waste is then removed by a specialist company and sorted at a dedicated off-site facility.

### Rouen: well-integrated aerials

Interview with Edgar Menguy, Rouen's planning officer.

***Bouygues Telecom has been rolling out its network in Rouen for 8 years now. What kind of relations does the city have with Bouygues Telecom?***

*All towns and cities have to face the problem of the spread of mobile telephony. A balance needs to be struck between offering a service whose utility is now generally recognised and addressing people's fears and concerns. That can only be done through constant dialogue with local residents and the operators. Bouygues Telecom has always been ready and willing to take part in these discussions with the city authorities in a common spirit of constructive cooperation and respect for the urban environment.*

***Assuming its duty of transparency, Bouygues Telecom has signed a charter with Rouen. What benefits has it brought?***

*It guarantees that mobile phone equipment will be installed in a harmonious, rational and transparent way. It also expresses Bouygues Telecom's promise to take account of developments in the understanding of any risks that might exist in connection with its equipment.*

At Bouygues Telecom, a programme to monitor different types of waste was introduced in 2003. In 2003:

- sites where staff are present generated 12,000 $m^3$ of ordinary industrial waste, 290 tons of paper and 600 $m^3$ of bulky waste. 416 kg of batteries were also collected;
- 2 tons of flat batteries returned by customers and over 58,000 non-functioning handsets were collected and passed on to a recycler;
- 37 tons of batteries, 3 tons of electronic cards from network equipment, 97 tons of radio aerials and optional elements and over 2,000 items of computer hardware were recycled.

At Saur France, 67% of the 65,000 tons of sludge that are of sufficient quality for agricultural use are spread as slurry, thus meeting the need for natural organic fertiliser on French farmland.

## Collection of special industrial wastes at Colas

*In France, the steadily rising quantity of special industrial wastes, especially from mechanical workshops, is sorted and treated under the terms of agreements between Colas and outside service providers. The policy is being implemented in other countries.*

***Special wastes treated in mainland France***

| *(in tons)* | *2001* | *2002* | *2003* |
|---|---|---|---|
| *Aerosols* | *7* | *9* | *11* |
| *Batteries* | *63* | *82* | *106* |
| *Degreasants, diluents, paints and adhesives* | *7* | *18* | *73* |
| *Packaging* | *8* | *10* | *10* |
| *Petrol and diesel* | *3* | *3* | *3* |
| *Filters* | *94* | *120* | *96* |
| *Coolants* | *7* | *9* | *22* |
| *Flat batteries* | *14* | *5* | *2* |
| *Contaminated solids* | *20* | *26* | *56* |
| ***Total tonnage*** | ***213*** | ***282*** | ***379*** |
| *Variation* | | *+32%* | *+34%* |

On its project sites, Bouygues Construction pays particular attention to the storage, handling and use of hydrocarbons and oils. Storage areas are equipped with bunded tanks, products are handled on special absorbent mats and equipment is checked at regular intervals to prevent leaks. A plant refuelling system with a hermetic nozzle similar to the ones used in Formula 1 motor-racing has been introduced on the Istria B project in Croatia: it significantly reduces the risks of fuel spills.

## Evaluating

Certification procedures are increasingly widely used in the Group. Most of Bouygues' activities have already obtained quality certification, while environmental certification is making rapid progress in the business areas concerned and safety certification is beginning.

In 1998 Colas, at the leading edge of the roads industry for ISO 14001 certification, launched an ambitious certification programme focusing initially on hot mix plants which it has since extended to binder plants, quarries and its scientific and technical campus. Certification has advanced steadily: 43 certificates had been obtained in France by the end of 2003, compared with 23 a year earlier, and 25 entities are engaged in the certification process. The ultimate aim of the policy is to ensure the systematic certification of all industrial activities shortly. Environmental certification is also being introduced in other countries.

Several Bouygues Construction entities have also started the certification process. Bouygues Travaux Publics France has introduced a specific environment management system for all projects worth more than €5 million, launched on 1 July 2001. As a result, in 2003 Bouygues TP became one of the first major construction firms in France to obtain triple ISO 14001, ISO 9001 and OHSAS 18001 certification.

At Saur, the approach to ISO 14001 certification involves the systematic introduction of environment management systems. Since the end of 2003, after a test period culminating in the certification of 22 sites, Saur has started introducing environment management systems in all its businesses, leading in the medium term to ISO 14001 certification of all Saur's activities in France and around the world.

## Organising and training

A growing number of information and awareness campaigns targeting employees are being carried out, including poster campaigns in Bouygues Telecom offices, "Act for the environment" posters at Saur, a booklet entitled "The environment reflex" for Bouygues Construction site workers and an environmental charter at Colas.

At Saur, quality and environment management systems also help to ensure a continuous improvement in environmental performance through methodical and regular risk analysis. The environmental performance of all sites is monitored, taking into account the specific features of countries, regulations, sites and their technical characteristics. Sets of indicators are produced, including activity-related indicators such as leakage rates from drinking water networks, the quantity of wastewater treated and the quantity of organic pollution eliminated.

At Colas, procedures are decentralised and actions are left to the initiative of subsidiaries, which have an environment officer who either works full time or has other duties directly related to environmental matters (technical, equipment, quality).

For sub-contractors, the Group's businesses are increasingly including environmental criteria in their tender specifications. For certain types of purchases that lend themselves to such an approach, Bouygues Telecom will carry out audits on the supplier's premises so as to refine its selection process before making a final choice.


## Environmental management of a project in Jamaica

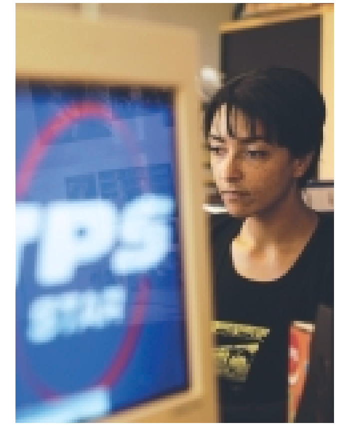
*Bouygues Construction has implemented a comprehensive ISO 14001 environmental management system on the €122 million Highway 2000 project in Jamaica. An environment team made up of young Jamaicans was recruited and trained by an environment engineer in the basic principles of the company's policies, procedures and ISO 14001 system.*

*It carries out daily inspections, and joint inspections are also conducted at regular intervals with the client's own environment expert.*

*Key environmental indicators have been created and are presented and analysed at weekly meetings and at monthly meetings of specific committees.*

# People, a core value

***Putting people first, the Group culture is built around the essential values of team spirit, individual responsibility, ethical behaviour and respect. The Group had 124,300 employees at the end of 2003, more than half of them outside France in 80 countries around the world.***



The Group's workforce grew by 3.1% in 2003, mainly at Bouygues Telecom as a result of its continuing recruitment of customer advisers and at Bouygues Construction due to the start of work on major international projects. This partly offset a smaller headcount at Saur following disposals, especially in the UK.

The breakdown of employees between France and elsewhere remained stable in 2003. 55,900 employees, close to half the Group's total workforce, work in international markets, almost exclusively in utilities and construction. Over a third of them (23,600) work for Saur, Bouygues Construction and Colas in Africa. The only significant change concerns the Asia-Pacific zone, which accounted for 8% of the total workforce compared with 4% in 2002 as a result of the start of work on major construction projects in Hong Kong, Singapore and Thailand.

There was no significant change to the breakdown by category in 2003: 17% managerial, 29% clerical and technical, 54% site workers.

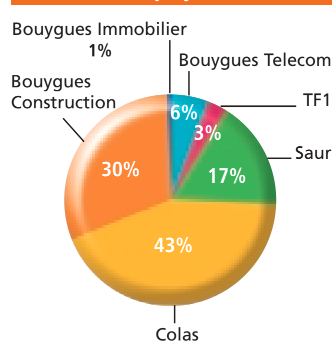
97% of employees in France have permanent work contracts. This figure is consistent across all the Group's businesses.

There are few women employees in the utilities and construction sectors. Women accounted for 18% of all Bouygues employees in France at end-2003, but approximately 50% at Bouygues Telecom, TF1 and Bouygues Immobilier.

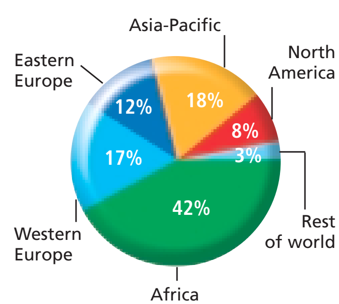
Management and labour in each of the Group's businesses negotiated agreements on implementation of the 35-hour week. Since 2002, all employees working in France have been covered by such an agreement.

Initiatives to encourage the hiring of disabled persons were continued in 2003, especially at Bouygues Telecom, TF1 and Colas. At Colas, as a result of its proactive hiring policy, the proportion of disabled employees in metropolitan France was 17%

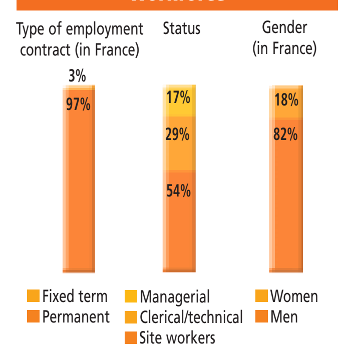
**124,300 employees: +3.1%**




**55,900 outside France: +4.7%**




**Workforce**

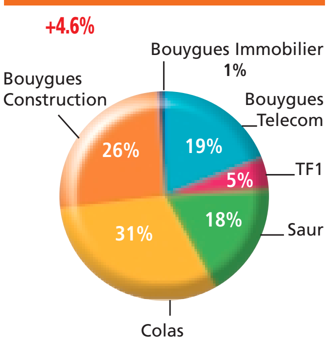


higher than the statutory minimum, compared with 14% in 2002.

## Integrating new employees

Despite a more difficult economic situation the Group continues to be a dynamic employer, recruiting over 7,900 new staff in France in 2003 (4.6% more than in 2002), almost 60% of them in its construction businesses. 68% of new recruits were under 30. Recruitment in the clerical and technical category, which accounted for 46% of the total, was driven mainly by hires of customer advisers at Bouygues Telecom. Approximately a third of new hires in France (2,500 employees) were on fixed-term contracts, corresponding roughly to the number of employees on fixed-term contracts at the end of 2003.

**7,900 new recruits in France**

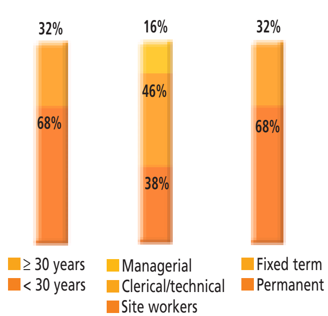




*A CD-Rom containing information about building trades*

Group companies maintain permanent relations and partnerships with schools and universities so as to promote their lines of business. In September 2003, for example, Bouygues Bâtiment Ile-de-France, a Bouygues Construction subsidiary, sent out a CD-ROM to teachers in technical and vocational high schools in the Paris region containing information about building trades. A multimedia tool developed in partnership with a teacher training institute at Créteil, it is designed as a teaching support. Through a case study – the construction of dwellings – the CD-ROM gives pupils an insight into the realities of the business.

**Group recruitment in France**




Internships can also be a fast track to subsequent recruitment. Each year Bouygues Telecom welcomes some 500 interns for assignments lasting 6 to 12 months. In the last three years, 247 of them have gone on to join the company on a permanent basis. Since 1996, Bouygues Telecom's research and development department has hosted 10 doctoral students a year working in areas related to their thesis subject. In 2003, Colas proposed 1,555 internships (2% more than in the previous year) in France or on assignment abroad. At Bouygues Construction, 40% of new employees are students recruited after completing an internship in France or on a corporate international voluntary service scheme.

Each year, over 1,000 new recruits learn about the Group's history and values during day-long induction courses led by managers from the six business areas. The sessions, a key stage in a new employee's integration into the company, include meetings with senior executives and a concluding discussion with Martin Bouygues.

Each month, twenty or so executives from different business areas are invited to a lunch during which they

### Transmission

***Tutors to train the next generation.*** *Over the last two years Pertuy Construction, a Bouygues Construction subsidiary, has introduced a tutoring system to help integrate young guild workers. The tutors, all volunteers, agree to develop their teaching skills so that they can better welcome, train, inform and guide newcomers. More than 30 tutors have taken a 28-hour training course for the purpose.*

***Bouygues Immobilier's "old hands".*** *When certain employees retire, the firm often loses key skills. Bouygues Immobilier has therefore created the idea of "old hands", since the law allows retired employees to rejoin their former company under certain conditions.*
*A project team in need of a helping hand or a training programme to be developed can thus provide an opportunity for retired employees who wish to do so to pass on their knowledge.*


can engage in a free and wide-ranging discussion with Martin Bouygues. 230 employees took part in these lunches in 2003.

## Sharing values

Bouygues asserts its difference through a strong culture based on the priority given to employees, respect for customers and an appetite for challenges. An Ethics and Sponsorship Committee was created in 2001 to ensure that the Group's initiatives respect its values and rules of conduct. Employees may in confidentiality bring before the Committee any situations or issues which they believe should be examined from an ethical standpoint.

The Bouygues Management Institute, created in 1999, is intended for experienced executives, of whom there are now some 500 from across all the Group's businesses. Its aim is to foster exchanges and to enhance their vision by giving them greater insight into the experience of others both inside and outside the Group.

In 2002, a programme called "Developing Bouygues Values" was set up to help managers spread the principles of respect, responsibility, fairness and truth to which the Group is attached. Martin Bouygues takes part in each session. By the end of 2003, 120 employees from across the Group had taken part in the seminars and a further ten sessions are scheduled in 2004.

Quality is another essential Bouygues value. Steps to harmonise Quality, Safety and Environment (QSE) disciplines are being taken in all the Group's businesses. A special group of QSE managers from each line of business met at regular intervals in 2003 to share best practices in these areas.

The Minorange Guild, founded in 1963 in the building and civil works sector, celebrated its 40th year in 2003. Promoting the values of work well done, respect for safety, drive and commitment to the company among site workers, the order has expanded on the same principles in other Group businesses, especially at Colas and Saur, with the Road and Spring Guilds. Bouygues now has 1,772 guild workers in 22 orders, some of which have been created overseas, especially in Africa.

## Developing skills

Group companies actively encourage their employees' development, both in France and elsewhere. Companies operating in France substantially increased their spending (+3%) on training to €71 million, representing 3.7% of the total payroll excluding social security charges. Apart from programmes for support divisions and the Bouygues Management Institute, each business area is responsible for its own training programmes.

Subsidiaries support their employees by providing them with professional and management training. Within USIRF, a professional body, Colas was involved in the creation and introduction in 2003 of a vocational certificate for workers in infrastructure utilities, the purpose being to validate skills acquired by site workers during in-house training with a professional

### Bouygues Telecom, winner of the Telecoms Social Trophy


*On 12 June 2003, Bouygues Telecom was awarded the Telecoms Social Trophy by UNETEL-RST, a telecoms industry body, and Capricel Prévoyance, representing social insurance schemes.*

*Bouygues Telecom won the award for its innovative initiatives in human resources management.*

*So as to enable employees to reconcile their working, social and family lives, the human resources division has introduced a number of significant initiatives such as a Resource Centre where they can take part in workshops to develop their knowledge and skills, a Jobs and Mobility Centre responsible for giving employees careers guidance and mobility support, and a medical observatory of stress and well-being.*

diploma. Management training schemes also exist within each subsidiary. At Bouygues Construction, 350 employees have benefited from such schemes since 2000.


In February 2003, Bouygues opened a new intranet portal which enables all employees to establish links with each other and exchange information. Each of the main support divisions (human resources, information systems, communication, Europe, e-business) has developed its own portal on the site.

The richness of its businesses enables Bouygues to promote a real mobility policy. With Mobilitel, a database of job offers everywhere in the Group, employees can consult a list of vacancies in all business areas. A careers guidance unit is on hand to help them make their choice.

## Motivation and loyalty

Bouygues is greatly attached to a policy of rewarding individual performance according to an employee's professionalism and potential. Pay becomes an important source of employee motivation by recognising individual skills and merit, team performance and the performance of the company as a whole. An annual assessment enables managers to set objectives with each employee that will serve as a benchmark.

In 2003, the Group continued to pursue a dynamic pay policy, which may include a performance-related element, especially for promising young employees. The payroll, including social security charges and profit sharing, amounted to €4.6 billion in 2003. Although 2% less than in 2002, like-on-like (excluding Bouygues Offshore) it increased by 1%.

The Group's corporate savings plans have become one of the main vehicles for encouraging employee share ownership and have almost 25,000 active members. Employees were Bouygues SA's second largest shareholder group, owning 11% of the capital and 16% of the voting rights.

## Listening and dialogue

High-quality dialogue between management and labour is a priority as it enables management to better identify and understand individual and collective aspirations and then respond appropriately.

Bouygues employees participate in their company's labour relations through employee representative bodies. In France, some 380 works councils with almost 3,000 elected members are represented on the Group Council.

In addition to the dialogue with employee representative bodies and trade unions, Bouygues also conducts a direct dialogue with all its staff, complementary to management action. Several Group companies now carry out employee satisfaction surveys. At Saur in France, for example, action plans were introduced in 2003 following an employee satisfaction survey in 2002.

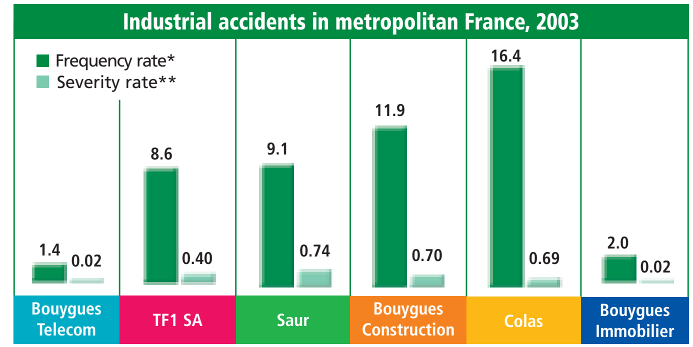
# Health and safety, major priorities

***The health and safety of the people who work for Bouygues, whether employees, sub-contractors or temporary staff, are long-standing priorities. They are core issues which demand the commitment and motivation of all.***

More than merely complying with regulations, the Group's companies pursue an ongoing and proactive health and safety policy. The key to risk prevention and control is a genuine safety culture, generally based on the requirements of the OHSAS 18001 standard.

Each business area, in France and elsewhere, determines its own health and safety policy according to the nature of its activities and the level of risk involved. However, all of them have a dedicated health and safety structure and share an identical approach.

In 2000, Bouygues Construction established a permanent risk prevention, health and safety committee which helps to draw up guidelines. A forum for the exchange of best practices, it meets once a quarter. Each entity or subsidiary then takes its own steps to meet the specific requirements of its activities so as to prevent risk and comply with regulations.




* Number of industrial accidents resulting in lost work days, per million man hours.
** Number of work days lost due to industrial accidents, per thousand man hours.

*Because of the range of activities in which the Group is involved and their different levels of risk, consolidated data are not significant. Safety is a constant priority for the Bouygues group, reflected in France by accident rates that are often better than the average rates for the sectors concerned.*

At Colas, a specific unit within the human resources division is responsible for coordinating subsidiaries' health, safety and environment (HSE) departments and the safety structures within each establishment. Safety officers meet regularly to exchange best practices. In 2003, 41 participants from eight countries on three continents met in Ireland, while safety officers from all its North American subsidiaries came together in South Carolina.

At Saur and Bouygues Telecom, the QSE department coordinates risk prevention, health and safety officers by setting up specialist committees for each activity. Safety competitions are organised and information about safety issues is circulated and exchanged on a dedicated intranet site.

## Evaluation

Group companies carry out preventive diagnostics and systematic risk analysis and implement control and guidance systems both in France and elsewhere.

Bouygues Construction's risk prevention, health and safety committee has produced a risk assessment guide for each of its subsidiaries. Tools were developed in 2003 to identify areas for progress. Health and safety officers visit project sites to ensure that prevention rules are properly applied. They carry out daily audits and draw up monthly sets of statistical indicators.

At Saur, a comprehensive safety diagnosis has been carried out at 22 of its 29 operating units. Most operating units, both in France and elsewhere, make a point of tracking prevention indicators like the proportion of staff exposed to prevention campaigns or the number of suggestions for improving prevention considered at health and safety committee meetings, with a view to taking preventive action.

## Training

Over 2,250 Bouygues Telecom employees received training in 2003, including over 400 in first aid and 200 in road safety. For staff working on the network, Bouygues Telecom organises an annual Maintenance Safety day devoted to the prevention of professional risks.

At Colas, training is provided as part of the induction process for new recruits. Employees are exposed to awareness-raising and training initiatives throughout their professional life, focusing on issues like posture and movement, authorisations to use electrical equipment and the transport of dangerous materials.

## Communication

Group businesses make a point of alerting employees to the need to

comply with certain instructions for the prevention of accidents and their responsibility for doing so.

When the SARS epidemic broke out in South East Asia, Bouygues Construction offered to repatriate the families of its expatriates at the firm's expense. Locally, measures were taken to prevent the risk of propagation. Surgical masks were issued, premises were disinfected and


employees were given information in real time on company intranets.

Saur's QSE department launches a communication plan each time a significant accident occurs, including special news flashes to raise awareness among employees liable to encounter similar situations.

At Colas, information about best practices is provided and circulated by means of a French and international HSE handbook, an intranet forum and annual meetings of all safety officers. At the beginning of every year, each subsidiary draws up a list of the risks arising in its business, which is then used as the basis for an annual communication campaign targeting staff in the field.

For Saur and Colas, road safety is an important element of their risk prevention policy. Various measures were taken at Saur in 2003, including the promotion of new communication technologies like the internet and GPRS to cut down the number of long journeys, better traffic signalling on certain sites and the redesign of certain processes so as to ensure the optimum use of vehicles. Since signing a road safety charter with the government road safety agency in 1997, Colas has rolled out an extensive programme of preventive measures in France, the UK, Belgium, Switzerland, Poland and the Indian Ocean. The effectiveness of these measures is reflected in a 43% drop in the accident frequency rate since 1997 despite a 48% increase in the size of the vehicle fleet. The rate fell by a further 12% in the first eight months of 2003.

Information campaigns to improve the quality of life in the workplace are carried out. Bouygues Telecom communicates on the subject via its intranet site. Information is also circulated by means of a leaflet on workstation ergonomics. Provided to all employees, it is designed to promote good posture when working at a screen and hence to reduce eye and muscle strain.

## Reward

Competitions are organised to encourage emulation within companies, and sometimes outside them. Each year, Bouygues Telecom launches three safety challenges that offer prizes to the region with the best prevention record on telecom sites, the region with the best prevention record for professional risks in the workplace and the structure or structures with the fewest road accidents.

At Colas, each subsidiary puts safety at the heart of the corporate strategy. Every year, Colas widely publishes its safety rankings, both in France and elsewhere.

### Mobilisation for reports from Iraq

*At the end of December 2002, TF1 decided to send film crews made up of journalists and technicians to Iraq and neighbouring countries to follow the progress of the war. 35 crews from TF1 and LCI were comprehensively vaccinated. Protective clothing was selected and made to measure and each crew was given a first-aid kit. TF1 also organised a briefing by an army doctor.*

# Corporate social responsibility, a dialogue

***Bouygues plays an active part in the economic and social development of each region in which it is present, through economic action, support for social initiatives and sponsorship.***

Its decentralised organisation enables the Group to play an important part in developing the economic and social fabric of each region in which it is present.

As part of the plan to cover mobile phone blind spots (zones not covered by any of the three operators), Bouygues Telecom took part in a consultation exercise between the government, local authorities and operators sponsored by the ministry for regional development. Coverage will be extended to some 1,800 local communities in the first phase of roll-out.

## Solidarity and sponsorship

Bouygues' Ethics and Sponsorship Committee advises on applications for financial or material support, examined in the light of the parent company's sponsorship policy which focuses on humanitarian, medical, social and cultural causes. Beneficiaries include a medical leisure centre for children from all over Europe, a charity working with the homeless, the French brain research federation, the French Ondine's syndrome association, the French institute for bone marrow research, the Paris Opera patrons scheme, etc. Each business area also has its own policy. Priority is given to applications submitted by employees for causes that they support.

### Solidarity

Since 2003, Bouygues Telecom has embarked on a sponsorship policy which gives preference to projects that assist people with social or medical difficulties. The company provides financial and material support to Objectif Soleil, a charity created by employees in April 2003 to improve the living conditions of people in difficulty. Over the Christmas period, Bouygues Telecom ran a campaign whereby contract customers could send a text message containing the word "emergency" to a special premium-rate number. The entire cost of the call (excl. VAT), topped up by a contribution from Bouygues Telecom, was donated to the French association of accident and emergency doctors with the aim of improving reception facilities at A&E units. The total donation amounted to €0.60 excl. VAT per text message and almost 38,000 messages were sent during the campaign.

*Bouygues Telecom's Objectif Soleil charity created by employees*

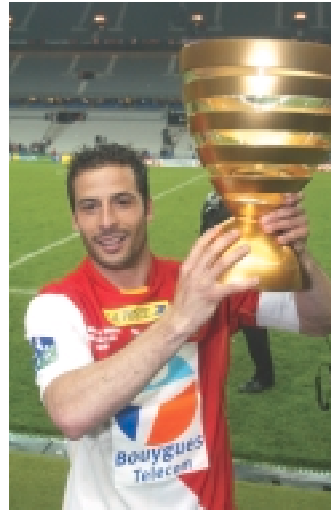
In 2003, TF1 and Bouygues Telecom again supported an annual operation to collect small change to fund projects designed to improve facilities for children in hospital. Organised by France's leading hospitals charity chaired by Bernadette Chirac, the campaign is supported by awareness-raising banner adverts on TV. The funds collected since 1990 have already enabled the foundation to support more than 3,700 projects in three areas: facilitating access for families, developing leisure facilities, and improving reception facilities and amenities. The foundation's flagship project in 2004 is the construction in Paris of a special unit for young people. The fifteenth "Pièces Jaunes" campaign took place between 9 January and 14 February 2004. Bouygues Telecom and TF1 mobilised their staff by providing collecting boxes, and 200 employees volunteered to collect gifts at Bouygues Telecom sites.

## A hospital for Kabul

*In Afghanistan, one child in four does not reach the age of five and most of the country's healthcare institutions are in ruins. Resolved to do something about the situation, Marine Jacquemin, a top reporter at TF1, set up the Enfants Afghans charity and made a public TV appeal on TF1 for funds to build and run a hospital for mothers and children. Bouygues quickly joined forces with a number of other charities, the Afghan government, which offered a site, and Siemens France, which is providing medical equipment. Bouygues Construction, the designer and builder of the hospital, has assumed the design, engineering, managerial and transport costs for the project. Bouygues SA has committed €1 million over two years to the project's budget and is also involved in the Enfants Afghans charity, with a seat on the board. The first phase of work is due to be completed in June 2004.*

In December 2003, Saur and Bouygues Telecom mobilised their staff to help flood victims in southeast and east central France. At Nîmes, Saur France employees worked night and day to repair the drinking water production plant which meets 90% of the city's needs. In three departments around the Mediterranean, floods and storms put 81 Bouygues Telecom aerials out of action. Within 48 hours, 74 were once more operational. At Toulon, Bouygues Telecom was the first mobile phone operator to get its network up and running again.

Two Saur subsidiaries, Saur France and Sénégalaise des Eaux, renovated the water system at Senghor, a village 150 km from Dakar which depends mainly on crop and livestock farming. Free of charge, the two companies




rehabilitated the drilling system and the water supply to the village and installed public drinking fountains.

Bouygues Construction, in partnership with the national employment agency and local schemes, regularly implements social initiatives on major construction projects.

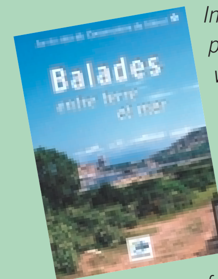
### Cultural and sports sponsorship

Each autumn, Colas selects ten painters who will receive a commission for a painting for the Colas Foundation, the only condition being that it must have the road as its theme. The Foundation, created in 1990, has already acquired 150 paintings.

Bouygues Immobilier gets involved in local life by taking part in cultural events like the Saint-Denis music festival, the Massy circus festival and Aix-en-Musique, an association which organises concerts in Aix-en-Provence.

Bouygues Telecom is already involved in football, as a League Cup partner from 2001 to 2005, skiing, by supporting ski resorts and ski schools, and sailing, by sponsoring clubs and races like the Spi Ouest France. It is now also an official partner of golf tournaments including the Evian Masters, one of the premier events in women's golf.

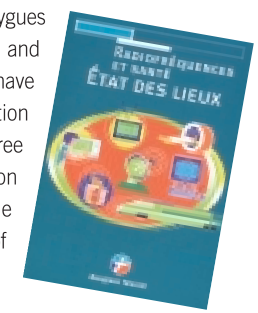
## Partnership with the coastline conservation agency




*In response to the sixth EU environmental action plan, Saur France and the French coastline conservation agency have concluded a partnership agreement to increase protection of the natural environment at coastal and lakeside sites. One of the fruits of their cooperation is a guidebook presenting the agency's most beautiful sites, designed to raise public awareness. The second stage of their partnership involves a research programme focusing on fresh water in the coastal environment, with the aim of combining both partners' particular skills so as to foster environmental protection and the preservation of biodiversity.*

## Dialogue with citizens

Bouygues Telecom takes a resolutely proactive approach to the question of the potential health effects of radiofrequency radiation. More than 40,000 copies of a brochure entitled "Radiofrequencies and health: the current situation" have been distributed. All letters and e-mails on the subject are answered. 41 municipal charters have been concluded, 30 of them in 2003, and negotiations for a further 70 are in progress. The company also cooperates with its in-house health and safety and medical departments and supports scientific research into the subject.




Since 1 July 2003, Bouygues Telecom and the fixed and mobile operators who have signed the Mediation Charter offer customers free access to a common mediation system. The ombudsman, a person of acknowledged independence, competence and authority, seeks an amicable settlement of disputes in all confidentiality.

# Research and innovation, an imperative

***All the Group's businesses innovate to develop products and processes that are more environment-friendly, more useful, safer and easier to use.***

Innovation is one of the core values of the Bouygues Group's corporate culture.

## Innovating for the environment

With a view to diversifying its energy sources, Bouygues Telecom monitors new developments in wind and solar power so as to identify alternative or combined solutions for providing power supplies to certain aerial relays.

In the wastewater sector, the problem of treating and recycling sludge will become a major issue for local authorities. Saur has developed several processes for reducing the amount of sludge produced, stabilising residues and reducing carbon dioxide emissions. For small plants, Saur is developing processes to recycle sludge by composting with garden waste and solar drying, a technique which will be used in the plants at Thuit-Signol and La Couture-Boussey (Eure).

Following the 1997 Kyoto agreements limiting greenhouse gas emissions, France introduced RT 2000, a new set of thermal regulations designed to reduce energy demands and needs in buildings. Anticipating these requirements, Bouygues Construction has designed solutions which limit energy loss in sensitive areas called thermal bridges (junctions between a façade wall and a slab, balconies, verandas, glazed bay windows, etc.). Protected by patents and developed in partnership with power utility EDF and three manufacturers (BPB-Placo, Knauf and Rockwool), these solutions reduce energy loss via thermal bridges at slab edges by 70% and on balconies by 60% while preserving excellent heat insulation, acoustic and fire-resistant qualities.

For several years, the environment has also been a major R&D consideration for Colas, which has developed non-polluting products and substances and product-recycling and energy-saving technologies such as:

- the elimination of polluting products and their replacement by new generation materials. The subsidiary Résipoly Chrysor has developed Resithan Park and Park UV, solvent-free paints and varnishes for indoor and outdoor use on asphalt, concrete and asphalt mixes that are designed to reduce emissions of volatile organic components;
- waste recycling by using powdered rubber from used tyres (Colsoft) and incorporating glass waste into a reflective surface (Scintiflex);
- the development of cold technologies and products (mixes and binders, Colasmac, Compomac) and the Active Joint process, which consume much less energy;
- the recycling of pavements by reducing consumption of new materials. For example the Thermocol process, using a train of five or six machines, recycles 100% of existing pavement by heating the existing pavement and adding asphalt, binders, fibres and aggregates.

In 2003, Bouygues Immobilier inaugurated the first of 75 houses incorporating innovative ecological systems built at Roissy-en-Brie to the north-east of Paris. The houses include a tank for recovering rainwater that can then be used to water gardens. Some have a solar-powered water heater. The extra cost of the equipment will be recovered within seven years as residents make savings on their energy bills. It is Bouygues Immobilier's first project to build detached houses with integrated environmental features. The company had already used the active façade principle when building the CNAM headquarters in Paris, whereby thermal and acoustic insulation is provided by air circulating between a double glass partition on the façades.

## Innovating for consumers

Protecting consumer health and improving the safety and ease-of-use of products and services is another priority avenue of research for Group companies.

Bouygues Telecom has been contributing to scientific research in various fields for several years and takes

## Colas, winner of the Siemens silver award for innovation

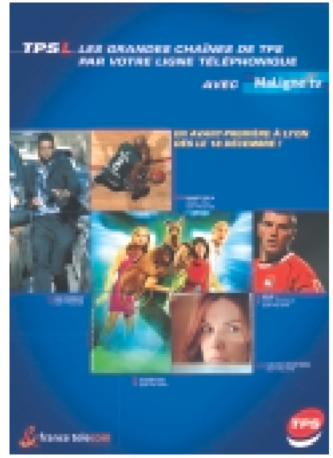
*The prize was awarded to Colas on 15 May 2003 by Claudie Haigneré, minister for research and new technologies, for Colgrip, a safety anti-skid surfacing. Colgrip considerably increases a vehicle's grip on the road, even in the wet, doubles lateral grip on bends and reduces braking distances by 30 to 50% whatever the weather conditions. It is particularly well-suited to black spots in urban areas, open country and on motorways, such as dangerous bends, access roads, intersections, pedestrian crossings and entries into built-up areas. Easy to lay, this low noise asphalt has made a significant contribution to reducing the number and seriousness of accidents.*

an active part in conferences organised by the World Health Organisation and European and America bio-eletromagnetism associations. Created in June 2001 and chaired by Jean-Jacques Duby, principal of France's elite Ecole Supérieure d'Electricité, it has a scientific board comprising seven independent experts and four employees. An advisory body, it meets twice or three times a year. Current work under the company's 2003 research programme includes measuring the effects of mobile phones on chicken embryos and studying the effects of GSM emissions on two neurodegenerative diseases in rats.

Bouygues Construction has developed technologies that reduce site noise emissions, such as the "cigar-cutter". A small, remote-controlled machine on caterpillar tracks, it is used instead of a pneumatic drill to cut large-diameter reinforced concrete columns inside buildings. As well as reducing the amount of dust produced, this labour-saving device cuts noise emissions in excess of 10 dB, to the benefit of local residents.

Colas innovates to improve the comfort and security of the roads it builds by:

- developing and using noise-reducing asphalt mixes (Colsoft, Miniphone and Microville) and installing noise barriers like the Somaphone range or the recently introduced and



remarkably effective Fractal barrier;
- developing techniques for rehabilitating sewage networks without digging trenches which, as well as cutting down on spoil and the amount of raw materials used, also cause less nuisance to local residents and no damage to roads.

## Innovating in services

Innovation is historically central to the development of the Bouygues group and continues to be a key growth factor.

In December 2003, TF1 through its subsidiary TPS launched TPSL, a bundle of TV channels accessible via ADSL high-speed phone lines, in partnership with France Telecom. The initial launch of the service in the Lyon area marked the culmination of more than a year's development and testing and illustrates TF1's determination to use innovation to offer viewers increasingly useful and interactive services.

Bouygues Telecom is a pioneer of the mobile internet in France. Its i-mode™ service, marketed since November 2002 in partnership with the Japanese operator NTT DoCoMo, has been highly successful, attracting 500,000 subscribers by January 2004. After the flop of WAP, i-mode™ is the first integrated technical solution developed entirely with the needs of mobile phone users in mind.

About ten years ago, Bouygues SA created a decision-taking science research centre whose role is to provide assistance to Group subsidiaries in the form of models and decision support tools drawing on scientific computing and applied mathematics. Research topics range from the optimisation of processes, such as rationalisation of the sale of advertising space for TF1, optimisation of plant management for Bouygues Construction and the planning of SMS marketing campaigns for Bouygues Telecom, to compliance with service quality criteria, such as maintenance strategies for road concessions for Colas and the planning of schedules for Bouygues Telecom customer advisers, and the creation of innovative services such as lightweight computer applications on i-mode™ for Bouygues Telecom.

In the construction of stay-cable bridges, Bouygues Construction subsidiary VSL has developed the SSI 2000 stay cable system which gives architects greater flexibility in the visual aspects of their designs. The new stay cables are protected by sheaths made of composite materials offering a wide choice of colours, ensuring that

the bridges blend as well as possible into their environment. In addition to this visual feature, VSL has developed a new system for damping cable vibrations which reduces vibrations that can be detrimental to the bridge.

In 2003, Bouygues Immobilier created an innovation committee backed up by an ideas management system which allows any employee to come forward with an innovative idea. Almost 300 ideas were collected in 2003. The committee meets at regular intervals to consider them and select the best, which are then put into practice. As a result, Bouygues Immobilier has developed a system that enables people in houses or flats to plug all their audiovisual and multimedia equipment (TV, stereo, computer, DVD player, alarm, webcam, interphone) into a single socket in every room. The product will come onto the market in 2004.

# *Risk,* control by prevention

The Bouygues group is exposed to a certain number of risks, most of them arising from the specific nature of its various lines of business. Some, like the construction (Bouygues Construction) and water (Saur) businesses, seem by nature to be particularly exposed to risk.

The question of risk control is considered at group level. Bouygues SA, the parent company, coordinates a major risk management committee whose dual task is to raise awareness of the need to manage major risks among operating entities and to make them more effective in detecting, preventing and controlling risk.

Each business area appoints a major risk officer. Responsible for steering and monitoring all risk-related actions, the risk officer sits on the major risk management committee.

Bouygues has drawn up guidelines for managing major risks which business areas implement by gradually introducing specific structures and procedures with the aim of mobilising the necessary resources to set up prevention and crisis management systems and training programmes.

In addition, business areas go about their day-to-day business within a legal, regulatory and contractual framework in which they increasingly seek to reduce or spread risk. They also take out insurance policies or use other means to transfer or hedge risks in accordance with the usual practice in their profession.

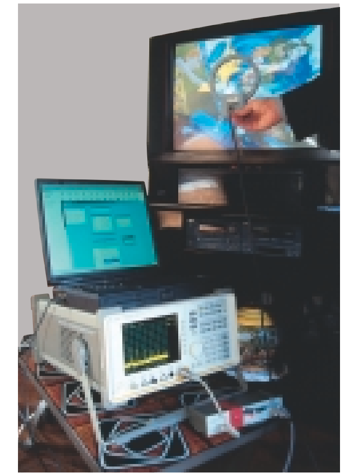
## Operating, environmental and public health risks

### Bouygues Telecom

Bouygues Telecom, like all mobile phone operators, is acutely aware of growing concern among the public and local authorities about the potential health effects of electromagnetic radiation.

Although no proof of any harmful effects has yet been found, and despite the reassuring conclusions of various reports (Zmirou, OPECST, etc.), Bouygues Telecom took several risk prevention initiatives in 2003.

- It was the first operator to systematically include earpieces in its packs.
- It has introduced procedures and safety measures to ensure limits on public exposure to electromagnetic fields.



- It takes part in events organised by international organisations like the WHO.
- It finances applied medical research in fields such as dosimetry.
- It carries out information campaigns targeting the general public and employees of companies working on its sites.

### Saur

Saur is directly concerned by risks relating to environmental protection and public health.

That is the case with drinking water production in particular, where Saur faces risks of chemical and microbiological pollution. It can also be confronted with malicious acts that may affect the quality of the water supplied

to customers. However, responsibility for providing plants that comply with the regulations and for policing networks generally lies with the public authorities. Saur also transports and handles dangerous materials as it uses chlorine to treat drinking water.

When collecting wastewater, Saur has to control the ecological risks of pollution emissions into the environment and risks relating to the production of toxic gases in confined atmospheres.

There is also an environmental risk aspect to Saur's waste transport, processing and storage activities.

Saur faces explosion and fire risks in most of its activities (wastewater treatment, drinking water production, landfill operation, power production). For example, there is a considerable fire risk in Coved's waste sorting centres because of the large quantity of combustible materials involved.

In order to prevent and control all these risks, Saur has created a quality-based environment management system which is designed to ensure compliance with regulatory and contractual obligations, especially as regards public health, hygiene, safety and environmental protection.

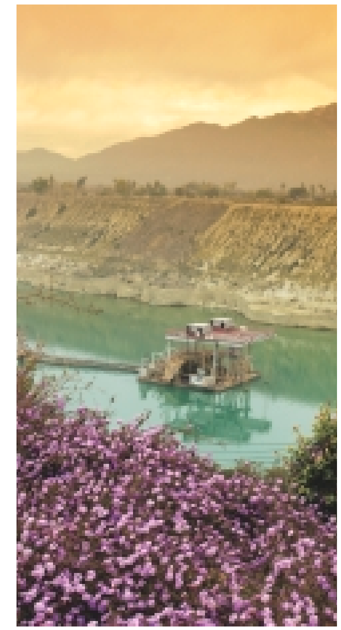
Saur has also pursued a policy of certifying all its quality and environment management systems (all its French operating units have ISO 9001: 2000 certification), making Saur France's biggest eco-industry to entirely certify its quality management system.

## Colas

Colas' manufacturing activities (emulsion plants, bituminous membrane production plants, quarries, coating plants, asphalt mixing plants, etc.) are governed by regulations relating to classified installations and quarries. Required to comply with strict rules, Colas commits to restoring sites under conditions defined by the relevant public authorities and books provisions accordingly.

The company has an environment policy for the risks generated by these highly regulated activities, based on obtaining ISO 14001 quality and environment certification for all its plants. 20 certifications were obtained in France in 2003 and a further 25 are in progress.

On international markets, where Colas does much of its business, the same principles are applied even more rigorously since local regulations can



sometimes be extremely stringent.

Waste generated by roadbuilding activities is systematically collected, and increasing amounts are recycled at special facilities belonging to the company or outside service providers.

## Bouygues Construction

One of Bouygues Construction's first priorities is to manage the many risks connected with a particularly risk-prone activity, such as geological risks, archaeological discoveries, bad weather affecting deadlines, lack of foresight, difficulty in setting prices, problems in the performance of

contracts due to the number of players involved, nuisance caused by works, etc. When Bouygues Construction concludes design-build-operate contracts, these conventional risks are compounded by design and operating risks.

However, Bouygues Construction believes that it is not exposed to any specific major environmental risks.

As the company does not own any fixed production sites, which would be treated in the same way as permanent industrial facilities, pollution risks are limited to the temporary facilities used on construction sites.

In addition, under current rules most of the waste generated by construction activities is classified as inert. The group makes sure it complies with local waste management regulations, especially as regards waste sorting at source and negotiations with waste treatment specialists.

Risks in connection with the storage and transport of waste and toxic products relate mainly to the use of oils and fuels when pouring concrete and carrying out earthworks. In each project, the company takes the necessary measures to prevent any risk of accidental pollution that may arise and to react as quickly and effectively as possible if an accident should occur.

The group therefore ensures compliance with the regulations in force and implements the necessary prevention and management systems.

### Bouygues Immobilier

As a property developer, Bouygues Immobilier is mainly concerned by site pollution. In most cases, the company guards against this risk by requiring the seller of the land to clean up the site itself or pay for a clean-up.

When a site includes existing buildings to be demolished, Bouygues Immobilier ensures compliance with asbestos and clean-up regulations and verifies that the relevant work is carried out by

approved contractors, guaranteeing that safety rules will be respected.

In developing its projects Bouygues Immobilier incurs legal liability with regard to its customers, for which it takes out appropriate insurance cover.

### TF1

TF1 has implemented an active risk identification policy, one of the main aims of which is to ensure continuity in its broadcasting, since continuity of service is essential to the company's protection.

If the company's key sites are inaccessible, special arrangements have been made to ensure that the main programmes can continue to be made and shown. For example, if TF1's riverside headquarters were affected by flooding, an internal and external security process would ensure that there was no interruption in its programmes.

TF1 also faces the risk of interruption through loss of signal. TF1 depends on TDF to broadcast its signal, and TDF has a fail-safe dual system (terrestrial and satellite) for transporting the signal to its transmitters. Redundant transmitters at broadcasting sites further enhance security.

For TPS, a satellite channel, the risk of disturbance is limited because its main programmes are broadcast from two satellites in geostationary orbit.

## Competition risks

The specific competition-related risks facing the Group's business areas are as follows.

### Bouygues Telecom

Risks related to the size of its competitors' market share.

### TF1

Risk of a price war when acquiring rights to high-profile events (eg, broadcasting rights for football).

### Colas

Risk of price pressures if public investment is suddenly cut.

### Saur

Risks relating to the renewal of concession or franchise contracts.

### Bouygues Immobilier

Risk of speculation by competitors when buying land.

## Market risks

### Interest rate and exchange rate risk

Certain Group companies use hedging instruments in order to limit the income-statement impact of movements in exchange rates and interest rates. Group policy for using hedging instruments is described below.

### Nature of the Group's exposure to risk

#### Exchange rate risk

Broadly speaking, the Group has little exposure to exchange rate risk in its ordinary business operations. As far as possible, the Group seeks to ensure that when contracts are invoiced in foreign currencies, the corresponding outlays are made in the same currency. This is the case for most contracts outside France, where the prop-ortion of expenditure on subcontractors and suppliers in local currency is much greater than the proportion of expenditure in euros. The Group is also especially attentive to the risks associated with assets in non-convertible currencies and, more generally, to country risk. Saur's concession business is based on medium and long-term contracts which prompt the company to make specific arrangements to limit exposure to exchange rate risk during the lifetime of the contract, especially by giving preference to financing in local currencies.

#### Interest rate risk

The Group's financial earnings are not greatly affected by interest rate movements. Most of the Group's debt is effectively fixed-rate, in the form of fixed-rate bonds and a portfolio of hedging instruments that transform floating-rate debt into fixed-rate debt.

On average over the year, variable-rate bank debt on the balance sheet is less than cash and equivalents invested in variable-rate instruments.

### Group-wide policies regarding instruments used to hedge exchange rate and interest rate risks

The instruments used by the Group are limited to the following: for exchange rate hedge, forward purchases and sales, currency swaps and currency options; for interest rate hedges, interest rate swaps, forward rate agreements (FRAs), caps and floors.

In addition, these instruments:

- are used only for hedging purposes,
- are contracted only with leading French and foreign banks,
- present no risk of illiquidity in a downturn.

Specific reporting documents are produced for the senior structures of the relevant companies concerning the use of these instruments, the choice of counterparties and, more generally, interest rate and exchange rate risk management.

### Hedging rules

#### Exchange rate risk

The principle applied within the Group is to systematically cover any residual exchange rate risk arising from commercial transactions. When cash flows are certain, exchange rate risk is covered by forward purchases and sales or by currency swaps. For some major projects, a hedge using currency options may be put in place before the contract is finally concluded.

Foreign companies' participating interests are generally covered by debt of a comparable amount in the same currency issued by the companies holding the interests in question.

For rationalisation purposes, the foreign exchange position of some Group entities may be managed centrally so that symmetrical positions can be offset against each other.

#### Interest rate risk

The principle is to hedge, at the level of each sub-group, all or some of the financial assets and liabilities that are foreseeable and recurring.

In practice, the entities that hedge interest rate risk are those whose business is by nature capital-intensive (public utilities management, concession projects, telecommunications). These entities secure their future financial position by fixing the cost of their debt with swaps and FRAs or by limiting it with caps for a period of time linked to the maturity of the financial liabilities being hedged.

As with exchange rate risk, and likewise for rationalisation purposes, the interest rate positions of some Group entities may be managed centrally and partially offset against each other.

### Accounting method

Gains and losses realised during the year on transactions of this kind, together with provisions for unrealised losses at 31 December 2003, are included in the income statement in 'Net financial items'.

### Market value of hedging instruments

Because derivative financial instruments are used by the Group only for hedging purposes, their fair value is not recorded on the balance sheet.

At 31 December 2003, the market value (net present value) of the portfolio of hedging instruments was -€5 million. This amount consists mainly of the net present value of interest rate swaps to hedge the Group's debt and the net present value of forward transactions to hedge the currency risk on commercial transactions.

By type of hedge, this market value was distributed as follows:

- transactions as part of a market value hedge: +€4 million,
- transactions as part of a cash flow hedge: -€9 million.

In the event of an upward (downward) shift of the yield curve by 1.00 percentage point, the market value of the portfolio of hedging instruments would be -€25 million (+€11 million).

In the event of a depreciation of the euro by one centime against all other currencies, the market value of the portfolio would be -€9 million.

Market values of the instruments in the portfolio have been calculated by the Group or obtained from the bank counterparties to the contracts.

### Maturity of financial liabilities at 31 December 2003

| | 1 year 2004 | 2 years 2005 | 3 years 2006 | 4 years 2007 | 5 years 2008 | 6 years 2009 | 7 years + 2010 + | Total 12/2003 |
|---|---|---|---|---|---|---|---|---|
| Bond issues | 299 | - | 927 | - | - | 1,000 | 1,250 | 3,476 |
| Bank loans | 861 | 627 | 47 | 16 | 12 | 11 | 59 | 1,633 |
| Other financial liabilities | 18 | 13 | 3 | 2 | 2 | 1 | 12 | 51 |
| **Total financial liabilities** | **1,178** | **640** | **977** | **18** | **14** | **1,012** | **1,321** | (1) **5,160** |
| Total financial liabilities at 31/12/2002 | 724 | 917 | 756 | 1,200 | 58 | 18 | 1 152 | 4,825 |

(1) Of which finance lease liabilities:

| | | |
|---|---|---|
| | - Media (TF1) | 17 |
| | - Utilities (Saur) | 13 |
| | - Construction | 15 |
| | - Telecom | 22 |
| | - Other subsidiaries | 6 |
| | | 73 |

### Breakdown of financial liabilities by currency at 31 December 2003

| | EUR | GBP | USD | CFA | Other | Total |
|---|---|---|---|---|---|---|
| **2003** | 5,038 | 1 | 49 | 57 | 15 | **5,160** |
| **2002** | 4,567 | 70 | 69 | 104 | 15 | 4,825 |

### Hedging of financial liabilities

Taking into account interest rate hedging instruments outstanding at the end of the year, financial liabilities broke down as follows:

| | 31/12/2003 | 31/12/2002 |
|---|---|---|
| Fixed-rate (1) | 74% | 86% |
| Floating-rate | 26% | 14% |

(1) Fixed-rate debt due at more than one year.

### Interest rate hedging

| Maturity | Outstanding at 31/12/2003: 2004 | 2005 to 2008 | Beyond | Total | Total outstanding 31/12/2002 |
|---|---|---|---|---|---|
| **Interest rate swaps** | | | | | |
| on financial assets | 896 | 21 | - | (1) 917 | 315 |
| on financial liabilities | 1,229 | 946 | 557 | (2) 2,732 | 2,754 |
| **Forward Rate Agreements** | | | | | |
| on financial assets | - | - | - | - | - |
| on financial liabilities | 50 | - | - | 50 | - |
| **Caps/floors** | | | | | |
| on financial assets | - | - | - | - | - |
| on financial liabilities | 1 | 396 | 16 | 413 | 535 |

(1) Of which pay fixed rate: 592.
(2) Of which pay fixed rate: 2,175.

### Exchange rate hedging

By currency

| Currency | 31/12/2003 (value in €m): USD | GBP | CHF | HKD | Other | Total | Total outstanding 12/2002 |
|---|---|---|---|---|---|---|---|
| **Forward purchases/sales** | | | | | | | |
| - Forward purchases | 71 | - | 24 | 2 | 19 | 116 | 75 |
| - Forward sales | 114 | 30 | 13 | 29 | 26 | 212 | 361 |
| **Currency swaps** | **49** | **137** | **51** | **35** | **21** | **293** | **231** |
| Currency options | 42 | - | - | - | - | 42 | 23 |

## Security interests granted as collateral for financial liabilities

| | Total 31/12/2003 | Telecom | Media | Utilities | Construction | Bouygues SA and other activities | Maturity: > 1 year | 1 to 5 years | < 5 years | Total 31/12/2002 |
|---|---|---|---|---|---|---|---|---|---|---|
| Mortgages of land or buildings or pledges of equipment | - | - | - | - | - | - | - | - | - | 61 |
| Pledges of securities and subordinated loans (1) | 1,034 | - | - | - | 18 | 1,016 | - | 1,034 | - | 3,596 |
| **Total Group** | **1,034** | **-** | **-** | **-** | **18** | **1,016** | **-** | **1,034** | **-** | **3,657** |

(1) 2003: the pledge of Bouygues Telecom securities (contracted by Bouygues and SFPG) is limited to the amount of the syndicated loan not repaid at 31/12/2003.

See also Note 14: Off-balance sheet commitments.

### Exposure to equity risk

The Group has no significant exposure to the risk of a fall in the price of the equities it holds.

## Liquidity risk

At 31 December 2003, the Group had available cash and securities of €2,374 million, plus €2,785 million of medium-term confirmed and unused bank facilities. As a result, the Group does not face any liquidity risk.

At 31 December 2003, Bouygues Telecom easily met the two financial ratios imposed by its lenders (consolidated bank debt/consolidated EBITCDA, and cash flow available to service bank debt/service of consolidated bank debt.

## Exceptional information - legal disputes

Group companies are involved in various lawsuits and claims in the normal course of their business. Risks have been evaluated and provisioned on the basis of past experience and analysis by the Group's legal departments and counsel. To the company's knowledge, there is no exceptional event or lawsuit that may substantially affect the activities, assets, results or financial situation of the Group as a whole. Lawsuits are reviewed regularly, especially when new facts arise. The Group uses all legal means possible to defend its legitimate interests.

The main lawsuits and events that occurred in 2003 are as follows.

An initial agreement with the client has been reached concerning the technical problems encountered in construction of the Ferden tunnel. Negotiations are continuing. A settlement ended the legal dispute over the design of the Tahiti hospital and the parties have agreed not to continue with the contract.

Legal proceedings are more common in the delivery phase of projects. The most important current proceedings relate to the Wola Park shopping centre in Poland and arbitration is still in progress.

€29 million of losses were booked in connection with these disputes and events in the 2003 accounts. This appears to be adequate based on the risks estimated by Bouygues Construction and its advisors.

The immersed part of the Great Mosque at Casablanca has been affected by the deterioration of certain concretes and reinforcements. Bouygues Construction, in liaison with the Moroccan authorities, is currently studying these disorders and how to remedy them. Temporary measures are being taken. Bouygues will support its subsidiary insofar as is necessary because of the exceptional and emblematic nature of the project. A dispute concerning insurance of the ten-year guarantee is in progress in the Moroccan courts.

Along with 26 other firms, Saur has sought arbitration against the Argentine government from the World Bank's International Centre for Settlement of Investment Disputes (ICSID). The subject of the arbitration is the freezing of water prices when the Argentine government abandoned the peso/dollar parity, precipitating a sharp devaluation of the currency.

On 1 April 2003, LCI filed a complaint with the Competition Council for abuse of dominant position and discrimination. Canal Satellite had decided that it would no longer broadcast LCI, which had challenged a substantial cut in its remuneration imposed by Canal Satellite. LCI was obliged to accept the new price conditions so that Canal Satellite would continue to broadcast the channel, but it maintained its complaint. As TPS decided to apply price conditions based on criteria similar to those applied by Canal Satellite to i>télé, on 28 July 2003 i>télé and the Canal group filed a complaint with the Competition Council for abuse of dominant position.

Following the announcement by France Télécom and TPS of the launch of an ADSL service involving the distribution by TPS of a television service by telephone line, on 28 November 2003 the Iliad group and its subsidiary Free filed a complaint with the Competition Council, requesting interim measures. The plaintiffs argued that France Télécom and TF1 would have a collective dominant position on the emerging downstream TV ADSL market. Free asked TF1 to disclose the general conditions of sale of the channels produced by the TF1 group.

Now that a decree has clarified the obligations of mobile radiotelephone operators as to the precautions to be taken with regard to electromagnetic radiation, and several agreements having been concluded with local authorities, the number of appeals by local authorities is continuing to fall.

## Country risk

TF1, Bouygues Telecom and Bouygues Immobilier have no exposure to country risk. Colas and Bouygues Construction have little or very little exposure. Colas generates 95% of its sales in developed countries in Europe and North America. International contracts account for 41% of Bouygues Construction's sales, including 24% in Europe. Bouygues Construction's approach is to protect itself against unexpected events that may affect projects in sensitive areas by taking out appropriate insurance cover. Bouygues Construction does not at present have any significant business in countries affected by serious civil disturbances, armed conflict or economic crisis.

Saur's activities are both local and long-term, exposing it to country risks that may have a significant impact on its earnings.

In Côte d'Ivoire, Saur distributes water and power as a utilities manager through its subsidiaries CIE and Sodeci but is not responsible for investment. Ciprel generates electricity and as such owns some assets. Saur also operates the Foxtrot offshore gas field. 90% of these subsidiaries' activities take place in the south of the country.

The political situation stabilised in 2003 as measures to end the war were restarted and the Marcoussis agreements were reactivated.

Saur's net exposure at end-2003 is estimated at €60 million, as follows:

- value of stakes consolidated: €87m
- dividends proposed at the AGM on 19 February 2004: (€6.7m)
- net guarantees given/received: (€20.3m)

Saur operates in Argentina via Obras Sanitarias de Mendoza (OSM), in which it has a 32% direct and indirect interest. OSM has a water distribution concession in Mendoza province. The devaluation that took place in early 2002 plunged Argentina into a serious political and economic crisis. Parity, initially set at 1.40 pesos to the dollar, slid to 3.37 at the end of 2002 and reached 3.67 at the end of 2003.

At 31 December 2003, the book value of Saur International's assets in Argentine was €13 million.

## Technology risks

The Group does not use patents or technologies that expose it to the risk of technological obsolescence. Through its investment in research and development, it makes permanent efforts to maintain the highest level of technology in order to ensure that its businesses are competitive.

## Other risks

### Geographical location

The riverside headquarters of TF1 and Bouygues Telecom could be affected if the Seine rises to exceptional levels. This could have an impact on the companies' operations and on continuity of service.

However, both companies have put contingency measures in place which mean that the risk of any interruption of programmes or services may be considered to have been forestalled.

### Safety

Certain Group companies, notably Bouygues Construction, Colas and Saur, are particularly exposed to the risk of workplace accidents.

All the Group's businesses take steps to reduce the number of accidents.

Bouygues Construction is exposed to significant levels of risk because of the nature of its business, meaning that the firm has to exercise constant vigilance in the organisation of safety at work on construction sites. The rate of workplace accidents has fallen as a result of Bouygues Construction's prevention policy and the group has a very low accident rate in relation to the industry as a whole.

Colas and Saur also take vigorous steps to promote road safety and reduce the risk of accidents to the minimum. Colas' accident record, already very low in comparison with the statistics for the industry as a whole, improved still further in 2003.


### Dependence on customers and suppliers

TF1, Bouygues Telecom, Saur, Bouygues Construction, Colas and Bouygues Immobilier have large numbers of customers and suppliers. They do not depend on any one customer or supplier for a dominant proportion of their sales or purchases. However, Bouygues Construction uses tunnel boring machines built by specialist manufacturers for some of its tunnel projects. The market for large TBMs is dominated by a small number of global suppliers, but the Group has the resources to design TBMs itself and ensures that it does not depend on any particular supplier.

Bouygues Telecom works with a limited number of suppliers, a feature which is typical in the industry. Nortel is the dominant supplier of radio equipment for Bouygues Telecom's network. Like any operator, Bouygues Telecom may be exposed to risks relating to the availability of equipment, and the supply of handsets in particular.

The Group's activities do not involve significant risks regarding the procurement of raw materials. Since road construction companies are major users of raw materials resulting from the oil refining process, especially bitumen, the business is sensitive to the regularity of oil supplies and oil prices. As a result, Colas is particularly vigilant in this area. Changes in oil prices can generally be passed on in sale prices after a few months.

### Specific regulations

The Audiovisual Communication Act of 30 September 1986 set maximum limits on shareholdings in TV operators and restrictions on the number of licences an operator can hold. Article 39 states that an individual or legal entity acting alone or in concert may not directly or indirectly own more than 49% of the capital or voting rights of a company that holds a licence relating to a terrestrial national television service whose audience exceeds 2.5% of the total televsion audience.

Article 41-3 2° states that any individual or legal entity that controls such a company within the meaning of Article 233-3 of the Commercial Code (direct or indirect majority shareholding – de facto control) or has placed it under his authority or dependence is deemed to hold a licence.

TF1 and Bouygues Telecom are subject to specific regulations in the pursuit of their business. Under the terms of Act 86-1067 of 30 September 1986 relating to the freedom of communication and the Telecoms Regulation Act of 26 July 1996, use of the terrestrial frequency spectrum is treated as an exclusive occupation of the public domain. Consequently, in order to use terrestrial frequencies, TF1 and Bouygues Telecom must obtain a licence and comply with its terms. Bouygues Telecom has to pay a fee, while TF1 has to give non-financial undertakings: 60% of its broadcast output must consist of European works and 40% of original French works, and it must allocate a substantial proportion of its net annual revenues to buying new films and TV productions. Compliance with these terms and conditions is monitored permanently by two regulatory authorities, the Conseil Supérieur de l'Audiovisuel for TF1 and the Autorité de régulation des télécommunications for Bouygues Telecom. These authorities have the power to impose fines and to suspend, shorten and withdraw licences.

TF1 was granted a 10-year licence on 4 April 1987. On 17 September 1996, the licence was renewed for five years from 16 April 1997, and on 20 November 2001 for a further five years from 16 April 2002.

By an order of 8 December 1994 amended by an order of 17 November 1998, Bouygues Telecom was granted a licence to establish a DCS 1800 network, valid for 15 years (ie, until 8 December 2009). By an order of 3 December 2002, Bouygues Telecom was also granted a licence to establish a third generation (UMTS) network, valid for 20 years (ie, until 3 December 2022). The licences are renewable.

Neither regulatory authority has ever found Bouygues Telecom or TF1 to be in breach of its terms and conditions.

Telecommunications regulations evolve every year because the sector has only recently been opened up to competition and because the pace of technological change is swift. There have been so many regulatory changes that they have been described in the section of this report describing Bouygues Telecom's activity in 2003.

To access certain contracts, especially for infrastructure, a construction firm must be approved on the basis of its expertise and sound financial health. Bouygues Construction believes that it has the necessary approvals, or that it meets all criteria needed to obtain them, in order to secure its development in countries and markets identified as strategic.

For works and services in housing and infrastructure, Bouygues Construction is subject to the regulations issued by the governments and public authorities of the countries in which it operates. For example, a set of administrative authorisations must be obtained for each site before work begins. Failure to obtain these authorisations could result in the start of work being delayed, which could lead to penalties at the end of the project if the delay is not made up. Penalties are generally limited by contract. Infrastructure projects in France are subject to public utility declarations and environmental protection authorisations, such as those provided for in the Water Act. There is a risk that the start of work will be postponed due to the time taken to obtain these authorisations and the need to wait for the results of public enquiries. It is generally up to local authorities to fulfil these obligations, but in concession contracts the duty falls to the concession-holder. Bouygues Construction makes permanent efforts to keep up with the often rapid changes in the regulations. However, the relatively short cycle of the construction business and the comparatively low level of investment in the sector help to reduce the risk arising from regulatory change.

Saur's activities and Bouygues Construction's infrastructure concession activities share a characteristic common to all activities contracted out by governments or local authorities, insofar as public-sector clients can exercise their public powers to modify or cancel contracts, although in such cases the contractor is entitled to compensation.

Bouygues Immobilier's property development activities are subject to authorisations that may give rise to many third party claims, which can cause delays and difficulties in starting operations.

## Insurance - risk coverage

The Group makes permanent efforts to optimise and ensure the long-term validity of the insurance policies taken out by Bouygues SA and its subsidiaries, not only to protect itself against exceptional losses in terms of their size or number but also so that cover is provided at a cost which does not undermine the Group's competitiveness. This policy of securing long-term insurance implies partnership with high-quality, financially sound insurers. In order to maintain such partnerships and to ensure that information cannot be used to the detriment of the interests of the Group and its shareholders, especially in legal disputes, the Group ensures that guarantee conditions and the amount of premiums are kept in strictest confidence, especially for liability insurance.

Because of the range of their activities, the Group and its subsidiaries have to contract very different types of insurance. Generally speaking, each business area takes out its own insurance policies. In addition to statutory insurance, such as insurance covering 10-year building guarantees in

France and automobile third party liability, the main policies are as follows.

- Damage. The amounts insured are generally equal to the value of the assets insured. For the largest concentrations of value, however, the amounts insured are limited to the amount of repairs for damage occurring in a disaster scenario, in agreement with the insurers and following prior expert valuations carried out by external consultants.

- Worksite insurance. The amounts insured are equal to the market value. By way of an exception, for certain geographically extended projects, the amounts insured may also be limited to the amount of repairs for damage occurring in a disaster scenario. The scenario is determined according to the type of project (eg, motorway or 30-floor tower) and the part of the world in which it is situated, so as to assess the risk of earthquakes or cyclones, for example, and the resulting damage. The amount insured is sometimes limited by the total available capacity on the world insurance market, for example for damage resulting from earthquakes or terrorist acts in another country.

When damage to the insured assets is likely to cause an interruption in activity, insurance is taken out to cover the resulting operating losses. The amount insured is based on the length of time for which the damaged site is unavailable according to the disaster scenario used and existing disaster recovery plans.

- Liability insurance. These policies insure against damage to third parties for which Group companies may be responsible. As these companies are of very different size and operate in very different businesses, the insured amounts are adapted to the risks incurred. They are generally greater than €5 million per claim.

For all these policies, deductibles are adapted so as to optimise the overall cost to the Group according to the probability of claims and the premium reductions that can be obtained from insurers by increasing deductibles. Taking these factors into account, certain risks are insured without any deductible while others are insured with a higher deductible, amounting in some cases to as much as €3,000,000.

Some insurance policies issued by traditional blue-chip insurance companies are partly reinsured by the Group's captive reinsurance subsidiary. The subsidiary is managed by a specialist company which defines the provisions to be constituted in accordance with insurance and reinsurance regulations, the purpose of which is to ensure that the provisions are sufficient to meet the commitments of the companies to which they apply.

The Group and its subsidiaries continue to take prevention and protection measures to further reduce the likelihood of accidents and losses and to limit their scope. One side-effect of this policy is that it facilitates negotiations with insurers as to guarantee conditions and the amount of premiums.

# Financial and legal information

# CORPORATE GOVERNANCE

## 1 Board of Directors and internal control

Report of the Chairman of the Board of Directors on the conditions for preparing and organising the Board's work and the internal control procedures introduced by the company. (Article L. 225-37 of the Commercial Code).

### Organisation of the Board of Directors

#### a) Membership

The Board currently comprises 19 directors and one non-voting supervisor.

- 17 directors are appointed by the Annual Meeting from among the shareholders for a six-year term.
- 2 directors are appointed by the Annual Meeting for a two-year term from among the members of the Supervisory Boards of the Group's Profit-Sharing, Investment and Corporate Savings Plan mutual funds, as representatives of employee shareholders.
- Non-voting supervisor: pursuant to Article 18 of the by-laws, the supervisor is responsible for ensuring strict compliance with the by-laws and attends Board meetings in an advisory capacity.

Having examined the situation of its members, the Board considers that Pierre Barberis, Charles de Croisset, Lucien Douroux, Jean Peyrelevade and Michel Rouger are independent directors within the meaning of the Bouton report.

The Board has created four committees to help it carry out its tasks: the Accounts Committee, the Remuneration Committee, the Selection Committee and the Ethics and Sponsorship Committee.

#### b) Information about directors

| | Date of birth | Date of first appointment | Expiry date of current term of office | Number of shares in the company | Principal position outside the company | Other significant appointments | Other information |
|---|---|---|---|---|---|---|---|
| **Chairman and CEO** | | | | | | | |
| **Martin Bouygues** | 03/05/1952 | 21/01/1982 | 2006 | 540<br>46,630,400<br>(via SCDM) | Chairman of SCDM | Director of TF1, CCF, Sodeci, CIE | *Martin Bouygues was appointed Chairman and CEO on 5 September 1989 and reappointed by the Board most recently on 25 May 2000 for a six-year term. On 25 April 2002, the Board decided that Martin Bouygues should be both Chairman and Chief Executive Officer of the company.* |
| **Deputy CEOs** | | | | | | | |
| **Michel Derbesse** | 25/04/1935 | 05/06/1984 | 2008<br>(director)<br>2004<br>(Deputy CEO) | 131,934 | - | Director of Bouygues Construction, Bouygues Telecom, Bouygues Immobilier, Colas, TF1, FNTP; standing representative of Bouygues on the Board of Saur | *After running the Bouygues group's Construction division from 1986, Michel Derbesse was appointed Group Managing Director on 17 October 1995 (Deputy CEO since the New Economic Regulations Act). Michel Derbesse's appointment as Deputy CEO must be renewed each year for one year at most pursuant to Article 17.2 of the by-laws, which applies when a Deputy CEO reaches the age of 65.* |
| **Olivier Poupart-Lafarge** | 26/10/1942 | 17/10/1985 | 2009 | 159,690 | - | Director of Bouygues Telecom, Colas, Saur, TF1, Bic; standing representative of Bouygues on the Board of Bouygues Construction, Bouygues Bâtiment International, Bouygues Travaux Publics, Bouygues Immobilier | *Executive Vice-President, Strategy and Finance since 1984, Olivier Poupart-Lafarge was appointed Deputy CEO on 25 June 2002.* |
| **Olivier Bouygues**<br>Standing representative of SCDM, director (company controlled by Martin Bouygues and Olivier Bouygues) | 14/09/1950 | 21/01/1984 | 2007<br>(director)<br>2006<br>(Deputy CEO) | 453,160<br>46,630,400<br>(via SCDM) | Chairman of Saur | CEO of SCDM; director of Bouygues Telecom, Colas, Saur France, Stereau, Sodeci, Coved, CIE, Sénégalaise des Eaux, Saur International, Eurosport; non-shareholder manager of SIR | *Olivier Bouygues has been Chairman of the Saur group since 1997.* |

| | Date of birth | Date of first appointment | Expiry date of current term of office | Number of shares in the company | Principal position outside the company | Other significant appointments | Other information |
|---|---|---|---|---|---|---|---|
| **Directors** | | | | | | | |
| **Pierre Barberis** | 29/05/1942 | 24/06/1997 | 2009 | 500 | Deputy CEO of Oberthur Card Systems | Chairman of the Board of Wilson Gestion; director of Alliance Internationale, Boostworks, Lainière Holding, Sengac; shareholder manager of Amrom | *Vice-Chairman of Axa from 1987 to 1991, Pierre Barberis then became Chairman of VEV. He is currently Deputy CEO of Oberthur Card Systems.* |
| **Patricia Barbizet** Standing representative of Artémis, director (a member of the Pinault group) | 17/04/1955 | 22/12/1998 | 2008 | 27,006,518 (via Tennessee, Simetra Obligations and Artémis) | Chief Executive of BNP Artémis | Chief Executive of Financière Pinault; chairman of the Supervisory Board of Pinault-Printemps-Redoute; chairman and CEO of Piasa; chairman of Société Nouvelle du Théâtre de Marigny; director of TF1, Christies International, FNAC, Air France; member of the Supervisory Board of Gucci, Yves Saint-Laurent Parfums, Yves Saint-Laurent; member of the Management Board of SC du Vignoble de Château Latour; standing representative of Artémis on the Board of Agéfi, Sebdo Le Point | *Patricia Barbizet was a senior financial executive at Renault before her appointment as Chief Financial Officer of the Pinault group in 1989. She has been a director and Chief Executive of Artémis since 1992.* |
| **Mme F. Bouygues** | 21/06/1924 | 19/10/1993 | 2006 | 110<br>5,290,034 (via FMB) | - | - | - |
| **Georges Chodron de Courcel** | 20/05/1950 | 30/01/1996 | 2006 | 930 | Deputy CEO of BNP Paribas | Member of the Supervisory Board of Lagardère; director of Nexans, Alstom; supervisor of Scor | *Deputy CEO of BNP from 1996 to 1999, Georges Chodron de Courcel was responsible for the finance and investment arm of BNP Paribas from 1999 to 2003. He was appointed Deputy CEO of BNP Paribas in 2003.* |
| **Charles de Croisset** | 28/09/1943 | 09/09/2003 | 2004 | 500 | - | Member of the Supervisory Board of Euler & Hermès SA and Galeries Lafayette; member of the Board of HSBC Guyerzeller Bank AG; director of HSBC CCF Asset Management Holding, HSBC Bank Plc, HSBC Holdings Plc, HSBC Private Banking Holdings | *After occupying positions of responsibility in the private office of several ministers, Charles de Croisset joined CCF in 1980, serving as Chairman and CEO from 1993 to 2004.* |
| **Lucien Douroux** | 16/08/1933 | 30/03/1999 | 2007 | 500 | Chairman of the Board of Banque de Gestion Privée Indosuez | Chairman of the Supervisory Board of the Deposit Guarantee Fund; vice-Chairman of Wafabank; director of Suez, Euris | *Lucien Douroux was chief executive of Caisse Nationale du Crédit Agricole from 1993 to 1999 and Chairman of the Supervisory Board of Crédit Agricole Indosuez from 1999 to 2001.* |
| **Alain Dupont** | 31/07/1940 | 07/10/1997 | 2008 | 1,560 | Chairman and CEO of Colas SA and Colasie | Director of Speig, Spac, Colas Ile-de-France Normandie, Colas Rhône-Alpes, Smac Acieroïd, Colas Canada, Colas Danmark, Colas Inc, Colas limited, Hindustan Colas limited, Tipco Asphalt, FNTP, SEFI; member of the Supervisory Board of La Route Marocaine, Société Moghrébienne d'Entreprises et de Travaux; standing representative of Colas on the Board of Cofiroute, Colas Midi-Méditerranée, Colas Sud-Ouest, Colas Centre-Ouest, Somaro, Colas Emulsions, Grands Travaux Routiers, Société Malgache des Grands Travaux de l'Est; standing representative of SPRI on the Board of Colas Nord-Picardie; standing representative of Spare on the Board of Colas Est | *Alain Dupont has headed the Colas group since 1985.* |

| | Date of birth | Date of first appointment | Expiry date of current term of office | Number of shares in the company | Principal position outside the company | Other significant appointments | Other information |
|---|---|---|---|---|---|---|---|
| **Carmelina Formond**<br>Representative of Bouygues employee shareholders | 14/10/1962 | 24/06/1997 | 2005 | - | - | - | *Carmelina Formond represents the Bouygues group's employee savings mutual funds.* |
| **Yves Gabriel** | 19/03/1950 | 10/09/2002 | 2004 | 33,000 | Chairman and CEO of Bouygues Construction | Director of Bouygues Travaux Publics, ETDE, Saur, FNTP, SEFI; standing representative of Bouygues Construction on the Board of Bouygues Bâtiment Ile-de-France, Bouygues Bâtiment International | *Chief Operating Officer of Screg Routes and Travaux Publics then Saur, Yves Gabriel has been Chairman and CEO of Bouygues Construction since September 2002.* |
| **Thierry Jourdaine**<br>Representative of Bouygues employee shareholders | 08/06/1963 | 16/12/2003 | 2005 | - | - | - | *Thierry Jourdaine represents the Bouygues group's employee savings mutual funds.* |
| **Patrick Le Lay** | 07/06/1942 | 24/04/1986 | 2008 | 98,150 | Chairman and CEO of TF1 | Chairman of TF1 Publicité, TV Breizh; director of Colas, TPS Motivation; standing representative of TF1 on the Board of Siccis, Telema; standing representative of TF1 International on the Board of TF1 Films Production; standing representative of TV Breizh on the Board of TVB Nantes; standing representative of TF1 Développement on the Board of TPS Gestion | *Appointed Group Executive Vice-President for diversification in 1984, Patrick Le Lay has been Chairman and CEO of TF1 since 1988.* |
| **Jean Peyrelevade** | 24/10/1939 | 25/01/1994 | 2007 | 3,750 | - | Director of Suez, Power Corporation of Canada; member of the Supervisory Board of Groupe Express-Expansion | *Deputy head of the Prime Minister's private office then Chairman of Compagnie Financière de Suez, Indosuez and UAP, Jean Peyrelevade was Chairman of Crédit Lyonnais until the end of 2003.* |
| **François-Henri Pinault**<br>Standing representative of Financière Pinault | 28/05/1962 | 22/12/1998 | 2004 | 27,006,518 (via Tennessee, Simetra Obligations and Artémis) | Chairman of the Board of Artémis | Chairman and CEO of Simetra Obligations; director of FNAC, TV Breizh, Soft Computing, Afipa; member of the Management Board of Château Latour; vice-Chairman of the Supervisory Board of Pinault-Printemps-Redoute; member of the Supervisory Board of Gucci Group NV; representative of Artémis on the Board of Conforama Holding; manager of Financière Pinault | *François-Henri Pinault headed the FNAC group before becoming Chairman of the Board of Artémis.* |
| **Michel Rouger** | 08/12/1928 | 30/01/1996 | 2005 | 500 | Chairman of Proega | Member of the Supervisory Board of Lagardère Groupe and Centuria; director of Compagnie Financière M.I. 29; manager of Michel Rouger | *Honorary President of Paris Commercial Court, Michel Rouger chaired the Consortium de Réalisation (CDR) until 1998.* |
| **Serge Weinberg**<br>Standing representative of Tennessee | 10/02/1951 | 22/12/1998 | 2006 | 27,006,518 (via Tennessee, Simetra Obligations and Artémis) | Chairman of the Management Board of Pinault-Printemps-Redoute | Chairman of the Supervisory Board of France Printemps; chairman of the Supervisory Board of Red Cats; member of the Supervisory Board of Gucci Group NV; director of FNAC, Rexel; manager of Serole, Adoval, Marema | *Head of the Budget Minister's private office, chief executive of Havas Tourisme then chairman of CFAO, Serge Weinberg has been chairman of the PPR group's management board since 1995.* |
| **Supervisor** | | | | | | | |
| **Philippe Montagner** | 04/12/1942 | 24/04/2003 | 2009 | 105,235 | - | Chairman and CEO of Infomobile; director of TF1, Bouygues Telecom, Saur, ETDE | *After successfully completing a number of major construction projects, such as Riyadh University and the Channel Tunnel, Philippe Montagner went on to head several Bouygues subsidiaries, including Bouygues Telecom from its inception until early 2004.* |

### c) Changes to the membership of the Board

- **Changes to the membership of the Board in 2003**

The Board co-opted two directors, Charles de Croisset (replacing Alain Pouyat) and Thierry Jourdaine (replacing Daniel Devillebichot). It renewed the terms of office of two Deputy CEOs, Michel Derbesse and Olivier Poupart-Lafarge.

- **Changes to the membership of the Board proposed to the Annual Meeting**

**Ratification of the co-option of two directors**

The Annual Meeting on 22 April 2004 will be asked to ratify the co-option as directors of Charles de Croisset in place of Alain Pouyat and Thierry Jourdaine in place of Daniel Devillebichot for the remainder of their terms of office.

- After occupying positions of responsibility in the private office of several ministers, Charles de Croisset joined CCF in 1980, serving as Chairman and CEO from 1993 until early 2004.
- Thierry Jourdaine has been Quality manager at Bouygues Bâtiment International since 2001.

**Renewal of three directors' terms of office**

The Annual Meeting on 22 April 2004 will be asked to renew the directorships of Charles de Croisset, Yves Gabriel and Financière Pinault for a six-year term.

- Chief Operating Officer of Screg Routes and Travaux Publics then Saur, Yves Gabriel has been Chairman and CEO of Bouygues Construction since September 2002.
- Financière Pinault is a Pinault group company which controls Tennessee and Simétra Obligations which in turn own shares in Bouygues. François-Henri Pinault, standing representative of Financière Pinault, headed the FNAC group before becoming Chairman of the Board of Artémis.

**Appointment of a director**

The Annual Meeting on 22 April 2004 will be asked to appoint Alain Pouyat as a director for a six-year term expiring on conclusion of the Annual Meeting called to approve the accounts for 2009.

- Appointed Information Systems Manager of the Bouygues Group in 1981, Alain Pouyat has been Group Executive Vice-President, Information Systems and New Technologies, since 1988.

### d) Meetings

The Board of Directors holds four ordinary meetings a year, in February, June, September and December. At the February meeting, the Board closes the accounts for the previous financial year. At the June meeting, it reviews the company's performance during the first half of the year and considers the strategic options for each line of business and for the Group as a whole. In September, the Board considers the half-year accounts, and in December it reviews the company's performance and estimated results for the past year and the outlook for the year to come. Since 2003, the Board has approved and published quarterly financial statements.

Other Board meetings are held as the Group's business requires.

The agenda for Board meetings is in three parts: business activities, accounts and legal matters. A detailed review of each subject is provided to each director. Committee meetings are held prior to Board meetings.

### e) Rules of procedure

At its meeting on 10 September 2002 the Board adopted a set of rules of procedure. The rules of procedure were amended in June 2003 to take account of the recommendations of the Bouton report.

The main features of the rules of procedure are as follows.

The rules of procedure set the annual programme of the Board's work. Any significant disposals or acquisitions planned by the Group, any major investments in organic growth and any major internal reorganisations must be put to the Board for prior approval.

The rules are also designed to ensure that the Board receives the information it needs in order to work properly. They provide that each year the agenda for one meeting should include an item on the Board's assessment of its own workings. This provision was implemented on 16 December 2003.

The directors undertake not to vote on matters where there is a conflict of interest and to disclose their transactions in the company's securities in accordance with Recommendation 2002-01 of the Commission des Opérations de Bourse and the Financial Security Act of 1 August 2003. Each director must own at least 500 Bouygues shares in registered form.

Annexes to the rules of procedure define the remit and operating rules of the four committees set up since 1995. They restrict membership of the committees to independent directors: corporate officers and inside directors may not sit on a committee. The most important committees are chaired by independent directors within the meaning of the Bouton report.

Particular attention has been paid to the Accounts Committee. In particular, the rules provide that the Accounts Committee should supervise the appointment of auditors (the Committee implemented this provision in early 2003 because the term of office of one of the auditors was due to expire, and in early 2004 for the same reason) and ensure that they are independent, for example by monitoring their fees. The rules of procedure also define how the Remuneration Committee should monitor the performance-related element of corporate officers' pay. It does not allow senior executives to be awarded stock options at a discount.

The rules of procedure state that at least two directors must be independent within the meaning of the Bouton report. The members of the Bouygues Board have always included the largest shareholders, the Group's most senior executives and particularly well-qualified outside directors. As well as favouring high-calibre discussion, this arrangement has also ensured the Board's willingness to take responsibility for its decisions, a factor which is without doubt central to the Group's steady growth and enduring presence. In particular, the Board has demonstrated its capacity to make the right choices in often highly complex situations. The Board, assisted by the Selection Committee, seeks to strike a balance between three essential elements: the need for a certain degree of independence on the Board, the rightful presence of the largest shareholders, and competence, experience and in-depth knowledge of the Group and its businesses.

## Review of the Board of Directors' work in 2003

The Board met six times in 2003. The attendance rate was 90.6%.

After hearing the report of the Accounts Committee, the Board closed the annual accounts and approved the quarterly accounts, reviewed the financial statements and set the amount of the dividend.

The Board prepared and called the Annual Meeting on 24 April 2003 and the meetings of investment certificate holders and Océane bondholders.

The Board approved the prospectus for the share buy-back programme and decided to implement it. It cancelled 9,685,825 repurchased shares on 17 June 2003 and 2,521,365 repurchased shares on 16 December 2003.

In addition to the matters which it is obliged by law to consider and decide on, such as regulated agreements, powers to issue guarantees, etc., the Board reviewed and approved plans to make acquisitions (acquisition of E.ON's stake in Bouygues Telecom, approval in January of the draft agreement with E.ON providing for the immediate acquisition of a 5.8% interest in Bouygues Telecom, then in October of the decision to exercise the option granted by E.ON to Bouygues for the remainder of its interest, representing 10.1% of Bouygues Telecom's capital), disposals (disposal of South East Water, a Saur subsidiary) and mergers (BDT/Bouygues Telecom).

The Board regularly reviewed developments in each of the Group's lines of business and the Group's financial situation.

The strategic options and business plans of each line of business and the parent company were presented to the Board for its approval.

The Board reviewed and approved the principle and conditions of a €750 million bond issue carried out on 25 November 2003. It authorised a plan to award stock options to the Group's senior executives and employees.

As the term of office of one of the two auditors expired, the Board asked the General Meeting to appoint Ernst & Young Audit as statutory auditor and Mr. Christian Mouillon as alternate auditor.

The Board amended its rules of procedure to incorporate some of the recommendations of the Bouton report.

## Work of the committees established by the Board

The Board has established four committees whose remit and operating rules are defined in the Board's rules of procedure.

### a) Accounts Committee

The Accounts Committee, created in 1995, reviews the quarterly and annual accounts before they are put to the Board, ensures that the accounting methods used to draw up the accounts are both relevant and consistent, and verifies the internal reporting procedures that provide the information on which the accounts are based. It supervises the appointment of auditors.

The members of the Accounts Committee are Michel Rouger (chairman), Patricia Barbizet, Georges Chodron de Courcel and, until his resignation in February 2003, Jacques-Henri Gougenheim.

The committee met four times in 2003 and the attendance rate was 100%.

The Group's financial situation and main operations were presented to the committee, which also heard the auditors with no senior executives present.

The committee supervised the appointment of an auditor as one of the two appointments was due to expire. The Board followed the committee's recommendation by asking the Annual Meeting to appoint Ernst & Young Audit. The same procedure was followed at the beginning of 2004 for renewal of the term of office of Mazars & Guérard. The committee also reviewed and verified the auditors' fees.

It reviewed the quarterly accounts, which the Group had decided to publish. It verified the conditions under which the quarterly accounts were prepared and also reviewed the measures taken by the Group with a view to introducing international accounting standards and international financial reporting standards (IAS-IFRS).

As each year, the committee verified the extent of the audit and the comparability of accounts after changes in the scope of consolidation. It reviewed changes in accounting methods and consolidation differences. It was particularly attentive to high-risk projects in the construction sector, the situation of Saur in Côte d'Ivoire, subsidiaries' intangible fixed assets and off-balance sheet commitments.

### b) Remuneration Committee

The job of the Remuneration Committee, created in 1996, is to put a proposal to the Board concerning the remuneration and other benefits of corporate officers. Its members are Pierre Barberis (chairman) and Patricia Barbizet. The committee met once in 2003 and the attendance rate was 100%. It considered the remuneration of corporate officers and the stock options awarded to them. It also examined and put to the Board reports on the remuneration of corporate officers and the award and exercise of stock options during the year.

### c) Selection Committee

The Selection Committee was created in July 1997. Its task is to review candidates for directorships and plans to create committees within the Board. It issues an opinion on any appointment, renewal or dismissal of a Chief Executive Officer or Deputy Chief Executive Officer. The committee comprises Jean Peyrelevade (chairman) and Serge Weinberg.

It met twice in 2003. In February it issued a favourable opinion on the renewal of the terms of office as Deputy CEOs of Michel Derbesse and Olivier Poupart-Lafarge, the renewal of the terms of office as directors of Pierre Barberis, Olivier Poupart-Lafarge and the two representatives of employee savings mutual funds, and the appointment as supervisor of Philippe Montagner. In September, it issued a favourable opinion on the co-option of Charles de Croisset as a director. The attendance rate was 100%.

### d) Ethics and Sponsorship Committee

The Ethics and Sponsorship Committee, created in March 2001, monitors compliance with the Group's values and rules of good conduct and issues opinions on corporate sponsorship projects. Its members are Lucien Douroux (chairman), François-Henri Pinault and Michel Derbesse.

The committee met three times in 2003 and the attendance rate was 100%. After reviewing a large number of projects, the committee gave a favourable opinion on the commencement or continuation of twenty or so sponsorship initiatives of a humanitarian, medical or sporting nature, the chief one being participation in the construction of a hospital for mothers and children in Kabul. The committee's advice was also sought on ethical issues.

## Internal control procedures

Bouygues SA, as the parent company of a Group with six business areas (telecommunications, media, construction, property development, roads and utilities management), implements internal control procedures, especially of an accounting and financial nature, in order to accomplish its strategic objectives and ensure that the accounting and financial information provided to decision-taking bodies and third parties give a fair reflection of the activity of the company and the Group.

Another purpose of internal control is to ensure that the conduct of business and the behaviour of staff comply with the regulations and with the rules and guidelines that Bouygues wishes Group companies to adhere to.

Lastly, control procedures are designed to ensure that policies to identify, prevent and manage major risks are in place within the Group.

Like any control system, however, the system put in place by Bouygues cannot give a comprehensive guarantee that all the risks it addresses are completely eliminated.

### a) Accounting and financial control

The production of high-quality and reliable accounting and financial information implies the introduction of an effective and rigorous control system.

#### Group consolidation division

- A Group consolidation/accounting division exists within Bouygues SA, the parent company, reporting to Olivier Poupart-Lafarge, Deputy CEO. One of its main tasks is to define and establish consistent consolidation rules and methods for the Group and to assist operating divisions in their consolidated management. It also prepares the parent company accounts.
- Consolidation is carried out quarterly step-by-step. Each business area consolidates at its own level using identical methods defined by the Group consolidation division, which then carries out the overall consolidation of the Group's accounts.
- A specific software product developed by a specialist company is used to consolidate accounts at the different levels, ensuring that the principles and rules validated by the auditors are consistently applied. A very large number of listed companies use the product. Implemented by each of the six business areas as part of the step-by-step consolidation approach, it ensures rigorous control of the preparation of accounts, which thus have to comply with standard procedures.
- In addition to the computerised accounting system, several years ago the Group consolidation division produced a handbook of Group consolidation rules and procedures which recapitulates the essential principles applicable throughout the Group. The handbook is an important tool, providing a reference framework for drawing up consolidated accounts. It will be updated when the new IAS-IFRS standards are implemented.
- As part of its coordination mission, the Group consolidation division also regularly provides operating divisions with information about the relevant rules and methods by organising seminars and sending out circulars, thus helping to ensure the coherence of the system for preparing consolidated accounts. This is the case in particular for the introduction of the new IAS-IFRS standards, in which the Group consolidation division has a key role to play.

#### Accounts Committee

Amongst other things, the Accounts Committee set up by the Bouygues Board in 1995 ensures that the accounting methods used to draw up the accounts are both relevant and consistent and verifies the internal procedures for reporting and controlling the information on which the accounts are based.

Chaired by an independent director, the committee meets at regular intervals (it met four times in 2003). It interviews the auditors with no representatives of the company present. It can make all reports and issue all opinions to the Board. In 2003, the auditors gave a documented presentation to the Accounts Committee of its work relating to internal control in particular.

#### Management control and commitment procedures

The management control system is such that no Group company can escape from the control process. All companies not controlled by operating divisions are controlled by the parent company, Bouygues SA.

Through different types of procedure, Bouygues SA also carries out management control at company and Group level.

The rules governing relations between the parent company and the operating divisions are summarised in a document produced by the Group strategies and development division. It is currently being updated and a new edition will be issued in 2004. The guide serves as a reference for all business areas.

#### The management cycle

The management cycle is a dual process which enables the Group's senior management to participate upstream in defining the strategies of each business area and to approve their business plans, which are defined in relation to the strategic framework. The principles of the management cycle are directly applicable in all Group entities, thus ensuring a solid and coherent overall structure.

An iterative process, it enables the Group's senior management to ensure at all times that objectives are consistent with strategies, to control any discrepancies between results and objectives and to anticipate the remedial measures (financing requirements, redefinition of priorities, etc.) that need to be taken at Group or business area level. Another aim is to provide senior management and the Bouygues Board with all the information they require in order to take decisions.

Senior executives from the parent company sit on the boards of the head companies of the Group's business areas, and it is those boards which decide strategic options and business plans.

##### Strategic plan and business plan

Taking account of the Group's broad guidelines and its own particular characteristics, each business area defines its own medium-term strategic options (ie, with a three-year horizon). The strategic plan is presented to Group senior management by the senior management of each business area and to the Bouygues board at its June meeting.

Three-year business plans are drawn up on the basis of the resulting action plans and are presented to Group senior management by the senior management of each business area and to the Bouygues board at its December meeting.

Business plans are adjusted in March after the previous year's accounts have been closed to take account of any significant development in relation to the initial plan.

##### Annual plan

In the business plans presented in December, the plan for the first year is the most detailed and represents a commitment by each business area in relation to Group senior management. This is the annual plan.

A first progress review (or update) of the plan for the current year takes place in June when the strategic plan is presented to Group senior management.

A second update takes place in November and is incorporated into the new business plan.

**Parent company management committee**

The Group strategies and development division draws up an annual expenditure budget in close cooperation with other parent company divisions.

Overheads are controlled monthly so that any discrepancies in relation to the budget can be swiftly identified and analysed.

This analysis helps to identify discrepancies which call the annual forecast into question.

Twice a year, the Group strategies and development division updates expenditure budgets for the current year in liaison with the divisions concerned.

The company uses expenditure commitment and control software (Adamau) and software to control expense accounts (Ulysse), which mean that formal, secure procedures are applied for expenditure commitments.

**Group reporting**

The parent company systematically controls its subsidiaries' financial management by means of the annual plan (including updates) and monthly sets of indicators. The indicators are sent directly to Group senior management and centralised by the Group strategies and development division, which plays a pivotal role in the Group's management control.

The sets of monthly indicators provided to the parent company are the same as those prepared by each business area for its own senior management.

Quarterly interim accounts are produced in parallel with monthly indicators.

Thus, the management cycle and the control and reporting procedures provide a regular flow of information and ensure a constant dialogue with business areas. As a result, plans can be adjusted and the parent company is able at any time to control its subsidiaries' financial management and intervene in strategic decisions upstream.

### Cash management - Finance

The parent company's treasury and finance division defines and monitors applications of sound financial management principles for the Group as a whole. It plays a coordinating role.

Operating principles mainly concern the "Bouygues Relais" and "Uniservice" cash management centres, which are managed by the parent company, and the business areas' own cash management centres. They also apply to the financing of subsidiaries.

The fundamental rules of prudent management relate to internal security (two signatures for payments, etc.), external security (secure cheques, payment by promissory note, etc.), liquidity (confirmed lines of credit, investment of surplus cash, etc.), the quality of counterparties, and the terms of loan agreements (absence of covenants, etc.).

### Internal audit

There is a Group audit division within Bouygues SA.

The audit division carries out various types of audit (finance, management, organisation, information systems, etc.) in business areas at the request of Group senior management or the senior management of a business area.

As a centre for analysis, control and information, the Group audit division thus plays an important part in risk analysis and control.

Audits are carried out according to a rigorous methodology. A report is drawn up after each audit containing an analysis and recommendations which are then followed up.

There is a trend, confirmed in 2003, towards a decentralisation of audit services to business area level. Most business areas now have their own audit departments, carrying out similar work to that of the Group audit division.

## b) Internal control and risk management procedures

### Major risk management committee

Bouygues SA, as part of its policy to control major risks, has set up a major risk management committee whose task is to improve major risk management procedures in its different business areas.

The committee, chaired by Pierre Daurès, a senior Group executive, comprises all risk management officers from the Group's different lines of business (Colas, Bouygues Travaux Publics, Bouygues Bâtiment, Bouygues Immobilier, Saur, ETDE, Bouygues Telecom and TF1).

It meets four times a year to review three aspects of major risk management:

- risk analysis,
- crisis management,
- training.

The committee can consider a subject that has been examined in depth in a particular business area or invite an outside consultant to address it on a particular subject.

The principal issues it considers relate to the main risks to which operating divisions are exposed:

- technology risks;
- environmental risks;
- health risks;
- protection of strategic assets.

Each business area sends the parent company an annual report containing a review of action taken, procedures put in place and plans to be implemented in different areas of risk management.

### Guidelines for major risk management

The parent company has laid down guidelines for major risk management at Group level with which subsidiaries are required to comply. Subsidiaries are entirely responsible for day-to-day management of their risks, senior management intervening only in exceptional cases.

These guidelines encourage subsidiaries to introduce a risk control process that includes the following stages:

- identification and classification of risks;
- assessment, selection and prioritisation of risks;
- treatment, control, monitoring and supervision of risks.

These guidelines also encourage subsidiaries to establish a crisis management system which includes the definition of alert thresholds and organisation of a duty roster.

The parent company organises crisis management training sessions for senior executives.

Each year it also lists, classifies and evaluates its own risks and prepares a written report.

### Legal affairs

The Group's general secretariat monitors matters with significant legal implications at Group level.

The company secretary and parent company legal team may become involved on an occasional basis alongside business area teams in handling major disputes or major affairs with an impact at Group level.

Bouygues SA's company secretary chairs the Group legal committee, made up of business area legal affairs managers. He also coordinates and supervises the Group's legal team.

At parent company level, in addition to the powers of representation vested in corporate officers (Chairman & CEO, Deputy CEOs), there is a centralised and formalised system for written delegations of powers.

Thus, certain powers are delegated directly by the Chairman & CEO to certain beneficiaries in clearly identified areas (for example, Alain Pouyat, Executive Vice-President, Information Systems and New Technologies, has extensive powers to represent the company in his area of activity).

Olivier Poupart-Lafarge delegates relatively extensive powers to his most senior colleagues in support divisions (for example, Jean-Claude Tostivin, Executive Vice-President, Human Resources and Administration; Lionel Verdouck, Executive Vice-President, Treasury and Finance). He also delegates specific powers to certain employees for assignments of limited scope.

#### Insurance

The Group risk and insurance division coordinates the Group's insurance business and also takes part in internal control procedures applied to risk management.

With a comprehensive overview of insurance policies in the different business areas, the Group risk and insurance division takes out Group insurance to complement the insurance taken out by them.

By directly managing insurance matters for the Construction business area, the Group risk and insurance division controls the insurance of most of the Group's biggest risks.

#### Ethics - Group values - Compliance with regulations

Bouygues' general management wishes to see the development within the Group of a certain number of values and ethical principles to which it is particularly attached. In particular, it wishes all Group employees to comply at all times with the regulations in force in its different business areas.

Within the framework of the Bouygues Management Institute, Bouygues SA organises a seminar on developing Bouygues' values, designed to raise awareness among senior executives of the need to comply with regulations in all circumstances and of the ethical rules on which the Group mindset is founded.

The Group general secretary regularly leads executive seminars designed more specifically to remind participants of the regulations that apply in various areas connected with problems and issues encountered by operating divisions in their day-to-day activity.

The Bouygues Board has created an Ethics and Sponsorship Committee whose task is to:

- help define the rules of conduct and guidelines for action on which executives and other employees must base their behaviour,
- propose or advise on actions designed to promote exemplary professional conduct,
- ensure compliance with the Group's values and rules of conduct.

The Ethics and Sponsorship Committee comprises three directors and is chaired by an independent director.

In carrying out its work, the committee may hear the Chairman of the Board or any person designated by him.

### c) Evaluation of internal control

In 2003, the Chairman & CEO asked Philippe Montagner, a senior Group executive, to conduct a comprehensive assessment of major risks.

Philippe Montagner's assignment included assessing the quality of the control procedures implemented by the Group's different entities.

In December 2003, Philippe Montagner presented a report to the Bouygues Board in which he described the risk control procedures and arrangements in place in the Group's different business areas (accounts committee, audit, commitment procedures, etc.).

### d) Limits on the Chief Executive Officer's powers

The Board of Directors has not set any limits on the Chief Executive Officer's powers.

### e) Other matters

This report has been prepared on the basis of available information provided by various divisions of the parent company and interviews with its senior executives. It has been enriched by several discussions and meetings with the auditors.

# 2 Auditors

## Statutory auditors

Mazars & Guérard (Mazars group), 39, rue de Wattignies, 75012 Paris, represented by Michel Rosse, appointed at the Annual Meeting on 10 June 1998 (first appointment) for a six-year term.

Ernst & Young Audit, 4, rue Auber, 75009 Paris, represented by Jean-Claude Lomberget, appointed at the Annual Meeting on 24 April 2003 (first appointment) for a six-year term.

## Alternate auditors

Thierry Colin (Mazars group), appointed at the Annual Meeting on 25 May 2000 (first appointment) for the same term of office as Mazars & Guérard.

Christian Mouillon (Ernst & Young), appointed at the Annual Meeting on 24 April 2003 (first appointment) for the same term of office as Ernst & Young Audit.

On the advice of the Accounts Committee, the Board has decided to ask the Annual Meeting on 22 April 2004 to renew for a six-year term the appointments of Mazars & Guérard, statutory auditor, and Mr. Thierry Colin, alternate auditor.

## Fees paid by the Group to the auditors and members of their networks

The fees paid to each auditor and to members of their network by Bouygues and all fully consolidated Group companies were as follows:

| Assignments | Mazars & Guérard Network | | | Ernst & Young Network (1) | | Other networks (2) | | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|
| €thousand | Amount 2003 | % | Amount 2002 | Amount 2003 | % | Amount 2003 | % | Amount 2002 | Total 2003 | Total 2002 |
| **Audit** | | | | | | | | | | |
| Audit, certification, review of parent company and consolidated accounts | 3,391 | 86 | 2,650 | 1,560 | 68 | 6,620 | 89 | 7,508 | 11,571 | 10,158 |
| Ancillary tasks | 300 | 8 | 197 | 148 | 6 | 225 | 3 | 236 | 673 | 433 |
| **Sub-total** | **3,691** | **94** | **2,847** | **1,708** | **75** | **6,845** | **92** | **7,744** | **12,244** | **10,591** |
| **Other services** | | | | | | | | | | |
| Legal, tax, corporate | 75 | 2 | 124 | 4 | - | 259 | 3 | 387 | 338 | 511 |
| Information technology | - | - | - | 4 | - | 104 | - | 39 | 108 | 39 |
| Internal audit | 13 | - | 36 | - | - | 10 | - | 97 | 23 | 133 |
| Other | 143 | 5 | 106 | 575 | 25 | 246 | 4 | 180 | 964 | 286 |
| **Sub-total** | **231** | **6** | **266** | **583** | **25** | **619** | **7** | **703** | **1,433** | **969** |
| **Total fees** | **3,922** | **100** | **3,113** | **2,291** | **100** | **7,464** | **100** | **8,447** | **13,677** | **11,560** |

(1) Ernst & Young Audit became Bouygues SA's auditor in 2003 following its appointment by the AGM on 24 April 2003.
(2) The fees paid to other networks of auditors acting for the Group are included in the table for purposes of information and comparison.

# REMUNERATION OF CORPORATE OFFICERS – STOCK OPTIONS

## 1 Report on the remuneration of corporate officers

| In € | Position | Gross fixed salary (1)<br>*Change on 2002* | Benefits in kind (2)<br>*Change on 2002* | Gross variable salary (1)<br>*Change on 2002*<br>As percentage of fixed salary | Effective remuneration (3)<br>*Change on 2002* | Criteria for variable salary | Directors' fees paid by Bouygues (4) | Directors' fees paid by other Group companies (5) |
|---|---|---|---|---|---|---|---|---|
| Martin Bouygues | Chairman & CEO | 920,000<br>*+5.5%* | 124,130<br>*+11.2%* | 1,380,000<br>*+46.7%*<br>150% | 1,018,135<br>*+26%* | - difference between the Bouygues share price and the Paris Bourse CAC 40 index,<br>- consolidated net earnings of Bouygues attributable to the Group. | 48,784 | 23,263 |
| Michel Derbesse | Deputy CEO | 920,000<br>*+5.5%* | 93,320<br>*+0.8%* | 1,380,000<br>*+24.1%*<br>150% | 1,005,194<br>*+15.2%* | - difference between the Bouygues share price and the Paris Bourse CAC 40 index,<br>- consolidated net earnings of Bouygues attributable to the Group,<br>- several qualitative objectives. | 24,392 | 27,391 |
| Olivier Poupart-Lafarge (6) | Deputy CEO | 920,000<br>*+6.6%* | 4,140<br>*+3.5%* | 1,242,000<br>*+38.9%*<br>135% | 909,779<br>*+23%* | - difference between the Bouygues share price and the Paris Bourse CAC 40 index,<br>- consolidated net earnings of Bouygues attributable to the Group,<br>- several qualitative objectives. | 24,392 | 54,046 |
| Olivier Bouygues | Deputy CEO | 920,000<br>*+6%* | 81,452<br>*+5.8%* | 937,625<br>*+1.6%*<br>102% | 814,412<br>*+3.9%* | - difference between the Bouygues share price and the Paris Bourse CAC 40 index,<br>- consolidated net earnings of Saur attributable to the Group,<br>- several qualitative objectives. | 24,392 | 34,087 |
| | | | | | | **Sub-Total directors' fees: Chairman & CEO + Deputy CEOs** | **121,960** | **138,787** |
| Alain Dupont | Director | 920,000<br>*+5.5%* | 4,100<br>*+0%* | 1,334,000<br>*+37%*<br>145% | 948,402<br>*+22.1%* | - difference between the Bouygues share price and the Paris Bourse CAC 40 index,<br>- consolidated net earnings of Bouygues attributable to the Group,<br>- consolidated net earnings of Colas attributable to the Group,<br>- several qualitative objectives. | 24,392 | 15,000 |
| Patrick Le Lay | Director | 1,118,611<br>*+13.6%* | 4,140<br>*+0.5%* | 1,380,000<br>*+78.4%*<br>123% | 1,051,155<br>*+42%* | - difference between the Bouygues share price and the Paris Bourse CAC 40 index,<br>- difference between the TF1 share price and the Paris Bourse CAC 40 index,<br>- consolidated net earnings of TF1 attributable to the Group,<br>- several qualitative objectives. | 24,392 | 105,850 |

| In € | Position | Gross fixed salary (1)<br>*Change on 2002* | Benefits in kind (2)<br>*Change on 2002* | Gross variable salary (1)<br>*Change on 2002*<br>As percentage of fixed salary | Effective remuneration (3)<br>*Change on 2002* | Criteria for variable salary | Directors' fees paid by Bouygues (4) | Directors' fees paid by other Group companies (5) |
|---|---|---|---|---|---|---|---|---|
| Yves Gabriel | Director | 729,300<br>*+24.2%* | 6,129<br>*+148.1%* | 739,310<br>*+84.8%*<br>101% | 619,930<br>*+49%* | - difference between the Bouygues share price and the Paris Bourse CAC 40 index,<br>- consolidated net earnings of Bouygues Construction attributable to the Group,<br>- several qualitative objectives. | 24,392 | 4,208 |
| Pierre Barberis | Director | | | | | | 30,490 | - |
| Artémis<br>Patricia Barbizet | Director<br>Standing representative | | | | | | 24,392<br>12,196 | <br>23,991 |
| Madame Francis Bouygues | Director | | | | | | 24,392 | - |
| Georges Chodron de Courcel | Director | | | | | | 30,490 | - |
| Charles de Croisset | Director | | | | | | 6,098 | - |
| Lucien Douroux | Director | | | | | | 30,490 | - |
| Carmelina Formond (7) | Director | | | | | | 24,392 | - |
| Thierry Jourdaine (7) | Director | | | | | | 6,098 | - |
| Jean Peyrelevade | Director | | | | | | 30,490 | - |
| Financière Pinault<br>François-Henri Pinault | Director<br>Standing representative | | | | | | 24,392<br>6,098 | <br>- |
| Michel Rouger | Director | | | | | | 30,490 | - |
| Tennessee<br>Serge Weinberg | Director<br>Standing representative | | | | | | 24,392<br>6,098 | <br>- |
| Philippe Montagner | Supervisor | | | | | | 18,291 | 27,446 |
| Other (8) | | | | | | | 51,827 | 27,446 |
| | | | | | | Sub-total directors and supervisor | 454,292 | 203,941 |
| | | | | | | **Grand total director's fees** | **576,252** | **342,728** |

(1) The remuneration of corporate officers and inside directors is determined with reference to remuneration practice in comparable groups. The table above shows their remuneration in respect of 2003. The variable component for 2003 was paid in the first quarter of 2004. The variable component for 2002, paid in the first quarter of 2003, may be determined by applying the percentage change given in the table above. The amount also appears in the 2002 annual report.

(2) Benefits in kind consist in the use of a company car. Martin Bouygues, Olivier Bouygues and Michel Derbesse also have a part-time personal assistant and a driver/security guard at their disposal for their personal needs.

(3) No relevant comparison can be made between the remuneration given in this table and the remuneration paid to the senior executives of foreign companies, given the differences in taxation and social charges. However, the "effective salary" column highlights the scale of tax and social charges in France. For the sake of simplicity, effective salary is calculated by applying the following formula: (gross fixed salary + gross variable salary + benefits in kind) – 58% (mandatory contributions plus income tax).

(4) These amounts include directors' fees paid in respect of membership of a Board committee. Patricia Barbizet sits on two committees.

(5) Within the meaning of Article L. 233-16 of the Commercial Code.

(6) The company also paid €101,060 to Olivier Poupart-Lafarge after his appointment as Deputy CEO corresponding to compensation for time worked in excess of statutory hours when he was a salaried employee.

(7) In accordance with the recommendation of 16 January 2003 issued by the Commission des Opérations de Bourse, the fees paid to the two directors who represent employee shareholders and have a contract of employment with Bouygues are not shown.

(8) Board members who left during the year: D. Devillebichot and A. Pouyat (directors), J.H. Gougenheim (supervisor).

Corporate officers and inside directors are included in the supplementary pension scheme for members of the Group's executive committee, equivalent to 0.92% of the reference salary for each year of membership of the scheme.

No remuneration or directors' fees other than those mentioned above were paid to corporate officers by Group companies. Bouygues pays all salaries except for that of Alain Dupont, who is paid directly by Colas. Some of the remuneration paid by Bouygues is re-invoiced to the subsidiaries of which the director concerned is a senior executive.

Neither the company nor its subsidiaries have given any undertaking or made any promise to the Chairman, the Deputy CEOs or inside directors relating to compensation on leaving the company.

## 2 Stock options

(Special report on stock options granted pursuant to Articles L.225-177 and L.225-186 of the Commercial Code).

### General information

**Number of options per plan**

| Plan | 1997 | 1999 | 2000 | 2001 | 2002 | 2003 | |
|---|---|---|---|---|---|---|---|
| Date of AGM | 27/06/1995 | 27/06/1995 | 25/05/2000 | 25/05/2000 | 25/05/2000 | 25/05/2000 | |
| Date of Board meeting | 28/01/1997 | 30/03/1999<br>06/07/1999<br>04/11/1999 | 04/07/2000 | 27/03/2001<br>03/07/2001<br>18/09/2001 | 25/06/2002<br>17/12/2002 | 17/06/2003 | |
| Number of options awarded by the Board (1)<br>- of which to corporate officers (4)<br>- of which to top 10 employees (4) | 406,500 | 342,350 | 1,239,800 | 4,023,600<br>690,000<br>1,180,000 | 3,598,100<br>1,150,000<br>320,000 | 2,996,000<br>625,000<br>412,000 | |
| Original exercise price before adjustment (1) | FRF497 | €219.77<br>to €297.95 | €69.13 | €33.75<br>to €39.40 | €27.56<br>to €27.08 | €22.80 | |
| **Exercise price after adjustment** (2) | **€7.44** | **€21.59<br>to €29.64** | **€69.13** | **€33.75<br>to €39.40** | **€27.56<br>to €27.08** | **€22.80** | |
| Starting date for exercise | 28/01/1997 | 30/03/2004<br>06/07/2004<br>04/11/2004 | 04/07/2005 | 27/03/2005<br>03/07/2005<br>18/09/2005 | 25/06/2006<br>17/12/2006 | 17/06/2007 | |
| Expiry date | 27/01/2004 | 29/03/2006<br>05/07/2006<br>03/11/2006 | 03/07/2007 | 26/03/2008<br>02/07/2008<br>17/09/2008 | 24/06/2009<br>16/12/2009 | 16/06/2010 | |
| **Number of shares subscribed in 2003** (3) | **1,045,240** | **-** | **-** | **-** | **-** | **-** | |
| **Number of valid options at 31/12/2003** (3) | **304,340** | **3,415,470** | **1,158,700** | **3,956,200** | **3,497,850** | **2,994,400** | **T = 15,326,960** |

(1) The figures for 1997 and 1999 are those fixed by the Board before the stock split (see note 2 below).

(2) As required by law, the exercise prices were adjusted on the capital increases that took place on 30 July 1999 and 10 April 2000. The adjusted exercise prices also take account of the ten-for-one stock split in 2000.

(3) The figures for 1997 and 1999 take account of the ten-for-one stock split in 2000.

(4) This disclosure requirement was instituted by the New Economic Regulations Act of 15 May 2001.

**Stock options by category of beneficiary**

| | Number of beneficiaries | Number of currently valid options |
|---|---|---|
| Senior executives (1) | 15 | 5,857,550 |
| Other beneficiaries | 1,670 | 9,469,410 |
| **Total** | **1,685** | **15,326,960** |

(1) Corporate officers and employees.

### Options granted and exercised in 2003

The Annual Meeting on 25 May 2000, in its sixteenth resolution, authorised the Board of Directors to grant on one or more occasions options giving entitlement to subscribe new shares or to buy existing shares in the company. The authorisation was given for a five-year period, the beneficiaries being employees and/or the corporate officers of Bouygues or companies or consortia directly or indirectly linked to it under the terms of Article L. 225-180 I of the Commercial Code.

## Options granted

Options giving entitlement to subscribe new Bouygues shares were granted in 2003. The Board granted a total of 2,996,000 options to 977 beneficiaries, who are corporate officers or employees of Bouygues or Bouygues group companies.

### General information

| Date of award | Number of options granted | Exercise price (€) |
|---|---|---|
| 17 June 2003 | 2,996,000 | 22.80 |

The exercise price for these options was set without a discount at the average of the first listed price on the twenty trading days before the meeting of the Board of Directors at which the options were granted.

The options are valid for seven years from the date on which they were granted.

### Options granted to the corporate officers and inside directors of Bouygues

| Corporate officers Inside directors | Company granting the options | Date of award | Number of options | Exercise price (€) |
|---|---|---|---|---|
| Martin Bouygues | Bouygues | 17 June 2003 | 200,000 | 22.80 |
| Olivier Bouygues | Bouygues | 17 June 2003 | 100,000 | 22.80 |
| Michel Derbesse | Bouygues | 17 June 2003 | 150,000 | 22.80 |
| Yves Gabriel | Bouygues | 17 June 2003 | 75,000 | 22.80 |
| Olivier Poupart-Lafarge | Bouygues | 17 June 2003 | 100,000 | 22.80 |
| **Total** | | | **625,000** | |

### Options granted to the ten Bouygues employees awarded the greatest number of options

| Bouygues employees | Company granting the options | Date of award | Number of options | Exercise price (€) |
|---|---|---|---|---|
| Jacques Bernard | Bouygues | 17 June 2003 | 12,000 | 22.80 |
| François Bertière | Bouygues | 17 June 2003 | 75,000 | 22.80 |
| Jean-François Guillemin | Bouygues | 17 June 2003 | 20,000 | 22.80 |
| Hervé Le Bouc | Bouygues | 17 June 2003 | 50,000 | 22.80 |
| Patrick Le Lay | TF1 | 12 March 2003 | 300,000 | 21.26 |
| Philippe Montagner | Bouygues | 17 June 2003 | 100,000 | 22.80 |
| Gilles Pélisson | Bouygues | 17 June 2003 | 65,000 | 22.80 |
| Alain Pouyat | Bouygues | 17 June 2003 | 50,000 | 22.80 |
| Jean-Claude Tostivin | Bouygues | 17 June 2003 | 20,000 | 22.80 |
| Lionel Verdouck | Bouygues | 17 June 2003 | 20,000 | 22.80 |
| **Total** | **Bouygues** | | **412,000** | |
| | **TF1** | | **300,000** | |

With the exception of Patrick Le Lay, the corporate officers and employees of Bouygues were not granted any options in 2003 by companies linked to Bouygues under the conditions set forth at Article L. 225-180 of the Commercial Code or by companies controlled by Bouygues within the meaning of Article L. 233-16 of the Commercial Code.

## Options exercised by the corporate officers and employees of Bouygues in 2003

### General information

The options exercised by Group employees in 2003 were as follows.

| Plan | Exercise price (€) | Number of options exercised in 2003 | Number of currently valid options at 31/12/2003 | Expiry date |
|---|---|---|---|---|
| 28/01/1997 | 7.44 | 1,045,240 | 304,340 | 28/01/2004 |

### Options exercised by the corporate officers and inside directors of Bouygues

| Corporate officers | Company granting the options | Plan | Number of options exercised | Exercise price (€) |
|---|---|---|---|---|
| Yves Gabriel | Bouygues | 1997 | 35,630 | 7.44 |

### Options exercised by the ten Bouygues employees who, by exercising their options, subscribed the greatest number of shares

| Bouygues employees | Company granting the options | Plan | Number of options exercised | Exercise price (€) |
|---|---|---|---|---|
| François Bertière | Bouygues | 1997 | 35,630 | 7.44 |
| Blandine Delafon | Bouygues | 1997 | 18,370 | 7.44 |
| Ariel Dubois de Montreynaud | Bouygues | 1997 | 20,370 | 7.44 |
| Jean-François Guillemin | Bouygues | 1997 | 20,370 | 7.44 |
| Patrick Le Lay | Bouygues | 1997 | 91,620 | 7.44 |
| Michel Madesclaire | Bouygues | 1997 | 15,270 | 7.44 |
| Philippe Montagner | Bouygues | 1997 | 93,220 | 7.44 |
| Alain Pouyat | Bouygues | 1997 | 183,220 | 7.44 |
| Jean-Claude Tostivin | Bouygues | 1997 | 20,370 | 7.44 |

The company did not register any exercise of options by Bouygues employees in 2003 other than the 498,440 mentioned above.

# SHAREHOLDERS

## 1 Major shareholders

### Changes in share ownership over the last three years

| Shareholder | Situation at 31/12/2003 | | | | Situation at 31/12/2002 | | | | Situation at 31/12/2001 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Number of shares | % of capital | Voting rights | % of voting rights | Number of shares | % of capital | Voting rights | % of voting rights | Number of shares | % of capital | Voting rights | % of voting rights |
| SCDM (1) | 47,084,100 | 14.13 | 93,937,290 | 22.05 | 50,977,056 | 14.80 | 93,457,919 | 22.30 | 52,266,192 | 15.20 | 91,933,368 | 21.90 |
| Artémis (2) | 27,006,518 | 8.11 | 31,013,036 | 7.28 | 27,006,518 | 7.84 | 34,496,758 | 8.23 | 34,606,518 | 10.07 | 42,096,738 | 10.03 |
| **Total shareholder agreement** | **74,090,618** | **22.24** | **124,950,326** | **29.33** | **77,983,574** | **22.64** | **127,954,677** | **30.53** | **86,872,710** | **25.27** | **134,030,106** | **31.93** |
| Bouygues employees | 36,536,113 | 10.97 | 68,628,395 | 16.11 | 34,418,380 | 9.99 | 56,154,080 | 13.40 | 33,261,180 | 9.68 | 54,708,739 | 13.03 |
| Groupe Arnault (3) | 16,084,940 | 4.83 | 16,084,940 | 3.78 | 17,139,940 | 4.98 | 17,139,940 | 4.09 | 32,687,795 | 9.51 | 32,687,795 | 7.79 |
| Crédit Agricole | 4,192,126 | 1.26 | 4,192,136 | 0.98 | 4,192,126 | 1.22 | 4,192,126 | 1.00 | 5,993,172 | 1.74 | 5,993,172 | 1.43 |
| FMB (4) | 5,290,034 | 1.59 | 10,580,068 | 2.48 | 5,290,034 | 1.54 | 10,580,068 | 2.52 | 5,290,034 | 1.54 | 10,580,068 | 2.52 |
| BNP Paribas | 4,174,995 | 1.25 | 6,433,265 | 1.51 | 4,174,995 | 1.21 | 6,433,265 | 1.54 | 4,154,330 | 1.21 | 4,154,330 | 0.99 |
| Bouygues (5) | 72,439 | 0.02 | - | - | 6,790,290 | 1.97 | - | - | - | - | - | - |
| Public | 192,758,704 | 57.85 | 195,161,037 | 45.81 | 194,372,580 | 56.44 | 196,630,792 | 46.92 | 175,492,158 | 51.05 | 177,599,955 | 42.31 |
| **Total** | **333,199,969** | **100** | **426,030,167** | **100** | **344,361,919** | **100** | **419,084,948** | **100** | **343,751,379** | **100** | **419,754,165** | **100** |

(1) SCDM is a company controlled by Martin Bouygues and Olivier Bouygues. This figure includes shares owned directly by Martin Bouygues and Olivier Bouygues.

(2) Artémis is a Pinault group company which controls Tennessee and Simetra Obligations, the companies which directly own the Bouygues shares.

(3) Figure given in the statement of 14 June 2002 in which the Arnault group announced that its interest in Bouygues had fallen below the 5% threshold.

(4) Madame Francis Bouygues.

(5) Treasury stock held as a result of the buy-back programme.

To the best of the company's knowledge, no other shareholder owns more than 1% of the capital or voting rights.

The main changes in share ownership over the last three years are as follows:

- increase in employee share ownership from 10% to 11% of the share capital and 13% to 16% of the voting rights;
- reduction in the shareholding of Artémis from 10% to 8% of the share capital and 10% to 7% of the voting rights;
- reduction in the shareholding of the Arnault group from 9.50% to 4.80%.

### Transactions by corporate officers in Bouygues shares in 2003

| | Gross movements in the year | | Open positions on 31/12/2003 | |
|---|---|---|---|---|
| | Buy | Sell | Buy positions | Sell positions |
| Number of corporate officers concerned | 6 | 4 | 2 | 0 |
| Number of shares | 9,669 | 3,255,857 | Calls bought = 2,000<br>Puts sold = 0<br>Forward purchases = 3,000 | Calls sold = 0<br>Puts bought = 0<br>Forward sales = 0 |
| Weighted average price (€) | 23.99 | 23.31 | | |

# STOCK MARKET PERFORMANCE

## 2 Shareholder agreements

### Bouygues

The terms of the shareholder agreement of 4 December 1998 between SCDM and Artémis relating to their holdings in Bouygues were published by the Conseil des marchés financiers (financial markets regulator) in a notice of 9 December 1998. They have been amended on two occasions. The Conseil des marchés financiers published the amendments in decisions dated 13 September 2001 and 23 May 2003.

In accordance with the regulations, the parties acting in concert stated their intentions to the Conseil des marchés financiers in the following terms:

- Concerted policy within the company: under the terms of a shareholder agreement concluded on 4 December 1998 for a three-year period, they [the parties] intend to conduct a concerted business policy for the company and consult each other before taking any decisions that might cause a significant and lasting change in the strategy, legal structure or financial resources of the company or its major subsidiaries. To this end, Artémis will have three seats on the Board of directors. The parties have undertaken to approve all the resolutions put by the Board of directors to Annual Meetings.

- Shareholdings: they do not rule out buying and selling shares but have agreed to limit their shareholdings such that they do not exceed 17.5% for SCDM and 15.5% for Artémis and such that the total number of shares or voting rights held by the parties, acting in concert, does not exceed one third of the share capital or voting rights.

The supplementary agreement of 13 September 2001 extended the shareholder agreement until 4 December 2004 and cancelled the non-transferability clause in the initial agreement.

The supplementary agreement of 22 May 2003 extends the shareholder agreement from 4 December 1998 until 4 December 2007. It preserves the provisions of the agreement as amended except as regards reciprocal rights of pre-emption, which the parties have waived.

### Bouygues Telecom

The material provisions of the Bouygues Telecom shareholder agreement are as follows: a reciprocal right of pre-emption, a ban on selling shares to an operator providing a telephone service to the public without the other shareholders' prior consent, an undertaking given by each party not to acquire an equity interest in a rival operator.

## 1 Bouygues on the stock market in 2003

### Stock

Bouygues is listed on the first market (Deferred Settlement Market) of Euronext Paris SA.

There were 333,199,969 shares and investment certificates in issue at 31 December 2003.

1,045,240 shares were created as a result of stock options in 2003 and 12,207,190 shares were cancelled.

An average of 344,622,000 shares and investment certificates were in issue in 2003.

An average of 1,430,000 shares were traded daily, 7% more than in 2002.

Like most telecom stocks, though to a lesser degree, the Bouygues share price has fallen since the high in March 2001, bottoming out in March 2003.

Since then, the share price has started to rise again.

The Bouygues share price rose by 4% over 2003 as a whole to reach €27.72 on 31 December 2003. The CAC 40 index rose by 16% over the same period.

The share price hit a low of €16.6 on 12 March 2003. Since then it has risen steadily to reach €29.70 at the end of February 2004, an increase of 78.9% in less than one year.

For convenience, the figures for the number of shares in the table below take account of the stock split in 2000.

| | Number of shares | Dividend (€) | | | Market price (€) | | | Dividend yield based on last price (%) |
|---|---|---|---|---|---|---|---|---|
| | | Net | Tax credit | Total | Highest | Lowest | Last | |
| **1999** | 302,783,920 | 0.259 | 0.13 | 0.389 | 67.50 | 17.53 | 63.70 | 0.6 |
| **2000** | 332,074,968 | 0.36 | 0.18 | 0.54 | 97.90 | 45.60 | 49.00 | 1.1 |
| **2001** | 343,158,371 | 0.36 | 0.18 | 0.54 | 57.95 | 25.11 | 36.99 | 1.5 |
| **2002** | 343,801,210 | 0.36 | 0.18 | 0.54 | 38.80 | 20.40 | 26.31 | 2.1 |
| **2003** | 332,671,539 | 0.50 | 0.25 | 0.75 | 28.28 | 16.61 | 27.72 | 2.8 |

The market price of the share at 27 February 2004 was €29.05.

### Investment certificate

For convenience, the figures for the number of investment certificates in the table below take account of the stock split in 2000.

Bouygues investment certificates are listed on the first market of Euronext Paris. Five-year trends in the number of investment certificates (issued in 1986), dividends and yields are as follows:

| | Number of investment certificates bearing dividend | Dividend (€) | | | Market price (€) | | | Dividend yield based on last price (%) |
|---|---|---|---|---|---|---|---|---|
| | | Net | Tax credit | Total | Highest | Lowest | Last | |
| **1999** | 620,800 | 0.259 | 0.13 | 0.389 | 24.11 | 14.52 | 24.10 | 1.6 |
| **2000** | 619,720 | 0.36 | 0.18 | 0.54 | 54.20 | 26.10 | 45.20 | 1.2 |
| **2001** | 593,008 | 0.36 | 0.18 | 0.54 | 47.47 | 29.16 | 37.60 | 1.4 |
| **2002** | 560,709 | 0.36 | 0.18 | 0.54 | 40.90 | 20.26 | 23.85 | 2.3 |
| **2003** | 528,430 | 0.50 | 0.25 | 0.75 | 30.00 | 16.74 | 26.20 | 2.9 |

The market price of investment certificates at 24 February 2004 was €27.

## 2 Stock price and number of shares traded

### Bouygues share price in the last 18 months

| | Highest (€) | Lowest (€) | Number of shares traded | Capital (€ million) |
|---|---|---|---|---|
| **2002** | | | | |
| July | 29.27 | 21.15 | 32,513,380 | 818 |
| August | 26.75 | 20.40 | 23,368,911 | 558 |
| September | 27.60 | 23.10 | 34,655,366 | 893 |
| October | 28.18 | 23.74 | 35,825,228 | 945 |
| November | 30.45 | 24.94 | 28,663,649 | 803 |
| December | 30.44 | 25.01 | 28,397,785 | 771 |
| **2003** | | | | |
| January | 28.28 | 22.60 | 29,184,178 | 726 |
| February | 23.94 | 21.41 | 29,880,040 | 675 |
| March | 22.70 | 16.61 | 32,052,192 | 640 |
| April | 22.69 | 17.25 | 45,907,689 | 1,009 |
| May | 24.15 | 21.24 | 37,985,940 | 850 |
| June | 25.80 | 22.51 | 35,505,687 | 847 |
| July | 24.74 | 22.27 | 20,741,194 | 490 |
| August | 24.40 | 21.72 | 18,557,368 | 431 |
| September | 26.16 | 22.22 | 24,425,556 | 601 |
| October | 24.75 | 22.44 | 20,182,786 | 478 |
| November | 26.73 | 23.30 | 32,539,846 | 808 |
| December | 27.75 | 26.05 | 30,041,663 | 882 |

### Price of investment certificates

| | Highest (€) | Lowest (€) | Number of investment certificates traded |
|---|---|---|---|
| 1st quarter 2003 | 25.24 | 16.74 | 1,462 |
| 2nd quarter 2003 | 27.19 | 19.00 | 3,806 |
| 3rd quarter 2003 | 25.50 | 20.80 | 2,820 |
| 4th quarter 2003 | 30.00 | 22.02 | 6,279 |

### Price of convertible and/or exchangeable bonds

| | Highest (€) | Lowest (€) | Number of bonds traded |
|---|---|---|---|
| 1st quarter 2003 | 310.0 | 268.0 | 35,595 |
| 2nd quarter 2003 | 298.7 | 267.5 | 50,732 |
| 3rd quarter 2003 | 291.9 | 263.0 | 31,467 |
| 4th quarter 2003 | 319.0 | 280.0 | 30,212 |

# CAPITAL

## 1 General information

### Amount of share capital

At 31 December 2002, Bouygues had share capital of €344,361,919, divided into 344,361,919 shares of €1 par[1]. 560,709 shares were divided into the same number of investment certificates and voting certificates.

1,045,240 new shares were created in 2003 following the exercise of stock options awarded to Group employees. 12,207,190 shares bought back by the company were cancelled.

Consequently, at 31 December 2003 Bouygues had share capital of €333,199,969, divided into 333,199,969 shares of €1 par.

528,430 shares were divided into the same number of investment certificates and voting certificates.

There were 426,030,167 voting rights at 31 December 2003 (419,084,948 at 31 December 2002).

(1) The Annual Meeting on 25 May 2000 decided to express the share capital in euros and to raise the par value of each share to 10 euros. It then decided to carry out a ten-for-one stock split.

### Five-year changes in the share capital

All amounts in the following table are expressed in euros.

| Year | Capital increases in the last 5 years | Amount of changes in share capital | | Amount of share capital | Aggregate number of share and investment certificates |
|---|---|---|---|---|---|
| | | Par | Premiums and incorporation of reserves | | |
| 1999 | • Exercise of options for 592,359 shares | 4,515,227 | 41,632,375 | 204,451,275 | 26,822,249 |
| | • Subscription by the Corporate Savings Plan of 961,513 shares | 7,329,086 | 228,898,200 | 211,780,361 | 27,783,762 |
| | • Océane conversion: 150,492 shares | 1,147,118 | 37,834,653 | 212,927,479 | 27,934,254 |
| | • July capital increase: 2,406,218 shares (1) | 18,341,278 | 525,174,329 | 231,268,757 | 30,340,472 |
| 01/01 to 25/05 2000 | • Exercise of options for 47,914 shares | 365,222 | 3,233,661 | 231,633,979 | 30,388,386 |
| | • Océane conversion: 14,500 shares | 110,526 | 3,637,693 | 231,744,505 | 30,402,886 |
| | • April capital increase: 2,026,186 shares (2) | 15,444,503 | 1,491,824,192 | 247,189,008 | 32,429,072 |
| 25/05 2000 | • Conversion of the capital into euros by conversion of the par value of shares. The par value was rounded up to 8 euros and then increased from 8 to 10 euros | | | 324,290,720 | 32,429,072 |
| 25/05 to 03/07 2000 | • Exercise of options for 8,251 shares | 82,510 | 530,617 | 324,373,230 | 32,437,323 |
| | • Océane conversion: 80,966 shares | 809,660 | 20,059,914 | 325,182,890 | 32,518,289 |
| 03/07 2000 | • Reduction of the par value of shares from 10 euros to 1 euro | | | 325,182,890 | 325,182,890 |
| 03/07 to 31/12 2000 | • Exercise of options for 159,700 shares | 159,700 | 1,151,374 | 325,342,590 | 325,342,590 |
| | • Océane conversion: 367,466 shares | 367,466 | 9,104,300 | 325,710,056 | 325,710,056 |
| | • September capital increase (Colas stock swap): 6,984,632 shares (3) | 6,984,632 | 483,685,766 | 332,694,688 | 332,694,688 |
| 2001 | • Exercise of options for 1,009,490 shares | 1,009,490 | 6,499,867 | 333,704,178 | 333,704,178 |
| | • Subscription by the Corporate Savings Plan of 10,034,985 shares | 10,034,985 | 219,966,871 | 343,739,163 | 343,739,163 |
| | • Océane conversion: 12,216 shares | 12,216 | 302,664 | 343,751,379 | 343,751,379 |
| 2002 | • Exercise of options for 610,530 shares | 610,530 | 3,930,741 | 344,361,909 | 344,361,909 |
| | • Océane conversion 10 shares | 10 | 246 | 344,361,919 | 344,361,919 |
| 01/01 to 16/06/2003 | • Exercise of options for 58,370 shares | 58,370 | 375,903 | 344,420,289 | 344,420,289 |
| 17/06 2003 | • Cancellation of 9,685,825 shares | (9,685,825) | | 334,734,464 | 334,734,464 |
| 17/06 to 10 /12/ 2003 | • Exercise of options for 318,070 shares | 318,070 | 2,048,371 | 335,052,534 | 335,052 534 |
| 16/12/2003 | • Cancellation of 2,521,365 shares bought back by the company | (2,521,365) | | 332,531,169 | 332,531,169 |
| 11/12 to 31/12/2003 | • Exercise of options for 668,800 shares | 668,800 | 4,307,072 | 333,199,969 | 333,199,969 |

(1) COB certificate 99-848 of 17 June 1999. (2) COB certificate 00-243 of 1 March 2000. (3) COB certificate 00-1328 of 21 July 2000.

### Authorisations to increase or reduce the capital and issue bonds or transferable securities

The table below lists the securities issues that the company may undertake pursuant to the authorisations given at the Annual Meeting on 24 April 2003 or at annual meetings in previous years.

The Annual Meeting on 22 April 2004 will be asked to renew all these authorisations without change to the authorised maximum amounts, change to the authorised maximum amounts, with the exception of the maximum amount of funds earmarked for the share buy-back programme, which will be increased to €1 billion. Pursuant to Act 2001-420 of 15 May 2001, the authorisation relating to stock options will be limited to 38 months instead of 5 years as previously.

On 20 November 2003, Bouygues carried out a €750 million bond issue outside France. A total of 750,000 bearer bonds of €1,000 par were issued at a fixed rate of 4.625%, maturing 25 February 2011.

## 2 Employee share ownership

At 31 December 2003, Group employees held 10.97% of Bouygues' capital and 16.11% of voting rights through a number of mutual funds.

- The Employee Mutual Fund, created in 1968, invests in Bouygues shares bought on the market. The Fund has received €28.2 million in contributions in the last five years. At 31 December 2003, the Fund held 2.57% of Bouygues' capital and 3.86% of voting rights.
- The Corporate Savings Plan mutual fund invests employees' voluntary savings and matched contributions from the company in Bouygues shares bought directly on the market. At 31 December 2003, it held 3.03% of Bouygues' capital and 3.87% of voting rights. A total of €257.7 million has been paid into the Corporate Savings Plan in the last five years, including €144.3 million in employee contributions and €113.4 million in matched contributions.
- Following the capital increase in December 1999 and January 2000, at 31 December 2003 Bouygues Confiance, a leveraged mutual fund, held 2.27% of the capital and 3.56% of voting rights.
- Following the capital increase in 2001, at 31 December 2003 the Bouygues Confiance 2 and Bouygues Confiance 2 International leveraged mutual funds held 2.85% of the capital and 4.46% of voting rights.
- A Bouygues Immobilier mutual fund holds 0.07% of the capital and 0.10% of voting rights. Two Saur mutual funds hold 0.17% of the capital and 0.27% of voting rights.

| | **Maximum nominal amount** (€million) | **AGM** | **Term** |
|---|---|---|---|
| 1. Shares reserved for employees, without preferential subscription rights | 10% of the company's share capital on the date on which the authorisation is used | 25/04/2002 | 26 months |
| 2. Shares, investment certificates and all other transferable securities, during a tender offer for the company's securities, with or without preferential subscription rights | 150 | 24/04/2003 | Until the meeting to approve the accounts for 2003 |
| 3. Shares, investment certificates and all other transferable securities (including share investment certificate warrants), with preferential subscription rights | 150<br>4,000<br>(debt securities) | 25/04/2002 | 26 months |
| 4. Shares, investment certificates and all other transferable securities (including share and investment certificate warrants), without preferential subscription rights | 150<br>4,000<br>(debt securities) | 25/04/2002 | 26 months |
| 5. Shares to be issued under stock option plans, without preferential subscription rights | Statutory limit<br>(Article L. 225-182 of the Commercial Code) | 25/05/2000 | 5 years |
| 6. Bond issues | 4,000 | 25/05/2000 | 5 years |
| 7. Purchase by the company of its own shares or investment certificates | 600 | 24/04/2003 | 18 months |
| 8. Cancellation by the company of treasury stock | 10% of the share capital per 24-month period | 24/04/2003 | 18 months |

## 3 Stock options

Currently valid options to subscribe shares (stock options) granted under the terms of authorisations given at Extraordinary Annual Meetings, if they were exercised, would represent a maximum of 15,326,960 new shares.

## 4 Bonds convertible into new shares and/or exchangeable for existing shares (Océane bonds)

1,905,490 Océane bonds with a par value of €262.4 at 1.7% per annum have been issued, bearing interest from 4 February 1999. They are redeemable in full on 1 January 2006 and, at any time after 4 February 1999, may be converted into new shares or exchanged for existing shares at a rate of one Bouygues share for one bond, subject to subsequent adjustment. The bonds have been redeemable at Bouygues' discretion since 1 January 2003.

Following the capital increases with preferential subscription right carried out in July 1999 and April 2000, the conversion and/or exchange parity of the Océane bonds was revised from 1 Bouygues share to 1.013 Bouygues shares, then from 1.013 to 1.018 Bouygues shares. Following the stock split in 2000, this parity was set at 10.18 Bouygues shares.

279,680 Océane bonds had been converted by 31 December 2003, entailing the creation of 2,839,272 new shares (this figure takes account of the stock split). 1,625,810 Océane bonds remained in issue at the same date.

If all the Océane bonds were converted, 16,550,746 new shares would be created.

In March 2004 Bouygues, in accordance with the terms of the issue agreement, decided to exercise its option of redeeming in advance all the Océane bonds issued on 4 February 1999. The bonds will be redeemed on 29 April 2004 for €262.40 plus accrued interest of €1.45. Until 20 April 2004 inclusive, Océane bondholders may ask for their bonds to be exchanged for shares rather than redeemed, on the basis of 10.18 shares per bond presented.

## 5 Potential creation of new shares

16,855,086 shares would be added to the 333,199,969 shares and investment certificates in issue at 31 December 2003 if all the Océane bonds were converted and all the stock options that had matured were exercised, bringing the total number of shares and investment certificates to 350,055,055.

## 6 Buy-back of Bouygues stock

The Annual Meeting on 24 April 2003 authorised a programme for the company to buy back its shares. A memorandum relating to the buy-back, certified by the COB (03-186), was published on 3 April 2003.

The company acquired 7,630,462 shares in 2003 (1,211,867 shares were acquired in March and April 2003 under the programme authorised by the Annual Meeting on 25 April 2002; 6,418,595 shares were acquired between May and December 2003 under the programme authorised by the Annual Meeting on 24 April 2003), representing 2.29% of the capital at 31 December 2003.

The Annual Meeting on 24 April 2003 authorised the Board of Directors to reduce the share capital by cancelling shares up to a limit of 10% of the authorised capital per 24-month period, as the law requires. Availing itself of this authorisation, on 17 June 2003 the Board cancelled 9,685,825 shares representing 2.81% of the capital and, on 16 December 2003, 2,521,365 shares representing 0.75% of the capital.

The Board of Directors also decided, pursuant to the authorisation given by the Annual Meeting on 25 May 2000, to launch a programme for the company to buy back its own shares, up to a maximum number of 201,000 shares, so as to be able to provide Bouygues shares to those Colas employees with stock options who wished to exercise them. No Bouygues shares had been purchased under the programme at 31 December 2003.

**Summary of purchases and sales of shares in 2003**

| | |
|---|---|
| Treasury stock at 31/12/2002 | 6,790,290 |
| Number of shares purchased during the year | 7,630,462 |
| Number of shares sold during the year | 2,141,123 |
| Number of shares cancelled during the year | 12,207,190 |
| Treasury stock at 31/12/2003 | 72,439 |
| Percentage of the share capital held by the company at 31/12/2003 | 0.02% |

# RESULTS OF BOUYGUES SA

## 1 Dividend

### Appropriation and distribution of the earnings of Bouygues (parent company)

The Annual Meeting, having acquainted itself with the Board of Directors' report on operations and having noted that distributable earnings for 2002, before appropriation to the legal reserve, amounted to €219,302,777.88, is asked to approve the following appropriation and distribution:

- appropriation of €5,437,937 to the special long-term capital gains reserve;
- distribution of a first net dividend (5% of par) of €0.05 per share or per investment certificate, representing a total amount of €16,659,998.45, deducted from distributable earnings;
- distribution of an additional net dividend of €0.45 per share or per investment certificate of €1 par, representing a total amount of €149,939,986.05;
- allocation of the balance in the amount of €47,264,856.38 to retained earnings.

Subject to approval by the Annual Meeting, the dividend of €0.50 net per share and per investment certificate plus a tax credit of €0.25 (assuming a 50% rate) will be paid in cash from 29 April 2004.

Should the company hold some of its own stock when the dividend is distributed, the sum corresponding to the amount of dividend not paid because of the nature of such stock shall be allocated to retained earnings.

The company is required by law to state the dividends distributed in the last three years and the related tax credits. They were as follows:

| | 2000 | 2001 | 2002 | 2003 |
|---|---|---|---|---|
| Number of shares | 332,694,688 | 343,751,379 | 344,361,919 | 333,199,969 |
| Dividend | €0.36 | €0.36 | €0.36 | €0.50 |
| Tax credit (1) | €0.18 | €0.18 | €0.18 | €0.25 |
| Total dividend per share | €0.54 | €0.54 | €0.54 | €0.75 |
| **Total dividend amount** | **€119,770,087.68** | **€123,750,496.44** | **€123,970,290.84** | **€166,599,984.50** |

(1) Assuming a 50% rate.

Dividends not claimed within five years are paid to the government.

## 2 Summary of last five years results (1)

| | 1999 | 2000 | 2001 | 2002 | 2003 |
|---|---|---|---|---|---|
| **CAPITAL AT YEAR-END** | | | | | |
| Share capital | FF1,517,023,600 | €332,694,688 | €343,751,379 | €344,361,919 | €333,199,969 |
| Number of ordinary shares in issue (2) | 30,278,392 | 332,074,968 | 343,158,371 | 343,801,210 | 332,671,539 |
| Number of investment certificates (without voting rights) (2) | 62,080 | 619,720 | 593,008 | 560,709 | 528,430 |
| Maximum number of shares to be created in the future (2): | | | | | |
| • by conversion of investment certificates | 62,080 | 619,720 | 593,008 | 560,709 | 528,430 |
| • by exercise of stock options | 710,266 | 7,660,890 | 10,588,944 | 13,420,560 | 15,326,960 |
| • by conversion and/or exchange of convertible bonds | 1,779,769 | 16,562,972 | 16,550,756 | 16,550,746 | 16,550,746 |
| **OPERATIONS AND RESULTS FOR THE YEAR** | | | | | |
| Sales excluding taxes | €92,898,853 | €64,302,455 | €73,416,040 | €62,497,403 | €61,677,048 |
| Earnings before tax, depreciation, amortisation and provisions | €297,957,737 | €421,701,258 | €230,010,624 | €21,715,695 | €119,984,708 |
| Income tax | €(8,475,405) | €3,988,987 | €22,310,429 | €(1,925,403) | €58,783,774 |
| Employee profit sharing | - | - | - | - | €(250,000) |
| Earnings after tax, depreciation, amortisation and provisions | €185,407,286 | €478,057,461 | €236,941,212 | €120,842,391 | €216,422,001 |
| Distributed earnings | €77,579,812 | €119,770,088 | €122,306,699 | €121,089,514 | €166,599,985 |
| Withholding | - | - | - | - | - |
| **EARNINGS PER SHARE** | | | | | |
| Earnings after tax but before depreciation, amortisation and provisions | €9.54 | €1.28 | €0.73 | €0.06 | €0.54 |
| Earnings after tax, depreciation, amortisation and provisions | €6.11 | €1.44 | €0.69 | €0.35 | €0.65 |
| Gross dividend allocated to each share | €3.89 | €0.54 | €0.54 | €0.54 | €0.75 |
| **PERSONNEL** | | | | | |
| Average number of employees during the year | 306 | 249 | 261 | 253 | 244 |
| Payroll | €38,277,005 | €32,117,774 | €38,521,514 | €36,496,987 | €37,747,311 |
| Amount paid in respect of benefits (social security, company benefits, etc.) | €19,146,527 | €14,837,450 | €15,062,453 | €11,250,274 | €12,551,862 |

(1) In euros except where stated otherwise.

(2) A ten-for-one stock split was carried out in 2000.

# INTRODUCTION OF IFRS

New international accounting standards (International Financial Reporting Standards – IFRS) will come into effect on 1 January 2005 and will be used to present comparative consolidated financial statements for 2004.

The Group has been working to identify the main differences in accounting practice between the French standard (CRC 99-02) and IAS-IFRS since 2002.

At the beginning of 2003, after operational launch of the IFRS project, the Group strategy and finance division set up a unit to analyse and define the conditions for applying the new standards. Specific working groups were set up under the supervision of a steering committee and secondary committees.

The aim was to pave the way for introduction of IFRS from 1 January 2004 and preparation of an opening balance sheet.

Most users have already been trained in the new standards and training will continue during 2004.

The adaptation of accounting software, begun in 2003, will continue in 2004 so that accounts can be kept according to both standards. The consolidation and steering systems have been operational since 1 January 2004 and reporting documents have been adapted.

## Main impacts identified during 2003 on the financial statements at 31 December 2002

### Balance sheet

- Most acquired intangible assets are allocated to goodwill not amortisable by the straight-line method in accordance with IAS 36 and 38.
- IAS 16 and 17 are likely to have a moderate impact on the Group's tangible assets and on the resulting amortisation expense.
- Under IFRS 1, consolidated shareholders' equity is likely to show a small variation after IFRS restatements at 1 January 2004 (opening balance sheet).
- Financial liabilities are likely to be reduced as a result of the transfer of short-term debt to "current liabilities".
- Some of the provisions for liabilities and charges may be allocated to "current provisions".
- Consolidated earnings are not likely to be greatly affected by the new standards.

### Income statement

The main change will concern consolidated sales and operating expenses, which will be reduced by the amount of fees and surcharges invoiced on behalf of local authorities in accordance with IAS 18.

**IAS 39** concerning financial instruments should not have a significant impact on the Group's accounts.

The market will be given an evaluation in figures of the impact of IFRS on the Group's accounts when the 2004 half-year accounts are released.

# LEGAL INFORMATION

## 1 General

| | |
|---|---|
| Company name | Bouygues |
| Registered office | 90, avenue des Champs-Elysées 75008 Paris |
| Registration number | 572 015 246 Paris |
| APE code | 452 B |
| Form | Société Anonyme (joint stock corporation) |
| Creation date | 15 October 1956 |
| Expiry date | 14 October 2089 |
| Financial year | 1 January to 31 December |
| Governing law | French |

## 2 Brief history of the Group

**1952** Francis Bouygues creates a building firm

**1955** First diversification: Bouygues Immobilier

**1970** Bouygues is floated on the Paris stock market

**1984** Expansion into services, takeover of Saur

**1986** Acquisition of Colas, the world's leading roads firm

**1987** Bouygues is named operator and principal shareholder of TF1

**1989** Martin Bouygues is appointed Chairman & CEO of the Bouygues group

**1996** Launch of Bouygues Telecom, France's third mobile phone operator

**2002** Bouygues Telecom launches i-mode™, the pocket internet

## 3 By-laws

### Purpose (Article 2 of the by-laws)

The company has as its purpose in all countries:

- the acquisition, directly or indirectly, of interests in all French or foreign companies or groupings, whatever their purpose or business, and the management and disposal as appropriate of such interests,
- the creation, acquisition, operation and disposal as appropriate of all French or foreign undertakings, in any field of business, whether industrial, commercial or financial, including in particular in the construction sector (building, civil works, roads, property) and the service sector (utilities management, media, telecommunications),
- and in general all industrial, commercial, financial, mining and agricultural operations or transactions and all operations or transactions involving movable or real property relating directly or indirectly to the purpose set forth above or to all similar or related purposes that may enable or facilitate the achievement or pursuit thereof.

### Appropriation of earnings (Article 24 of the by-laws)

At least 5% of net earnings for the year, minus prior losses if any, are retained in order to constitute the legal reserve. This requirement ceases to be mandatory when the legal reserve equals one tenth of the share capital.

The sum necessary to pay the holders of shares and investment certificates a first dividend equal to 5% of the paid-up share capital is retained from distributable earnings. After appropriations to other reserves and to retained earnings decided by the Annual Meeting, the balance of distributable earnings is divided between the holders of shares and investment certificates.

### Annual meetings (Articles 19 to 21 of the by-laws)

Annual meetings of shareholders are called in accordance with the formalities required by law. They consist of all holders of shares and voting certificates, whatever the number of shares or certificates they hold.

Special meetings of holders of investment certificates and of bonds issued by the company may be called in the cases provided for by the prevailing laws and regulations.

All documents required in order to vote at annual meetings must reach the company at the latest on the third day before the date of the meeting.

### Double voting rights (Article 12 of the by-laws – provision in force since 1 January 1972)

Double voting rights are allocated to all fully paid-up shares that are proved to have been registered for at least two years in the name of the same holder.

In the event of a capital increase by incorporation of reserves, profits or premiums, double voting rights are conferred as of issue on registered shares allocated as a bonus to shareholders in respect of existing shares conferring such entitlement. Double voting rights attached to registered shares will be lost if such shares are converted into bearer shares or if title to them is transferred, except in cases where the law provides otherwise.

The extraordinary shareholders' meeting may not abolish double voting rights without being authorised to do so by a special meeting of holders of those rights.

### Thresholds (Article 8.3 of the by-laws)

Persons holding directly or indirectly at least 1% of the capital or voting rights are required to inform the company of the total number of shares or voting certificates they own. Notification must be made by registered letter with acknowledgment of receipt sent to the registered office within fifteen days of conclusion of the transaction, on or off the stock market, irrespective of delivery of the securities.

Further disclosures must be made under the same conditions each time the 1% threshold is crossed in either direction.

If disclosures are not made under the conditions set forth above, the voting rights attached to shares or voting certificates exceeding the fraction that should have been disclosed are suspended under the conditions provided by law if a request to that effect is made at the Annual Meeting by one or more shareholders holding at least 5% of the share capital or voting rights.

Under the terms of Article 8.2 of its by-laws, the company is authorised to use all legal means regarding the identification of holders of securities conferring an immediate or future right to vote at shareholders' meetings.

NB: The extraordinary shareholders' meeting has sole powers to change the by-laws. However, it may not abolish double voting rights without being authorised to do so by a special meeting of the holders of those rights (Article L. 225-99 of the Commercial Code).

## 4 Places where legal documents may be consulted

Legal documents may be consulted at the company's registered office at 90, avenue des Champs-Elysées, 75008 Paris, and at Challenger, 1 avenue Eugène Freyssinet, 78280 Guyancourt.

# Accounts

# Consolidated accounts

## Consolidated balance sheet at 31 December

### Assets (€ million)

| | Note | 2003 Net | 2002 Net | 2001 Net |
|---|---|---|---|---|
| Intangible fixed assets | | 6,409 | 5,746 | 3,408 |
| Goodwill | | 264 | 297 | 366 |
| Tangible fixed assets | | 4,532 | 5,525 | 4,669 |
| Long-term investments (a) | | 778 | 789 | 832 |
| *Non-consolidated subsidiaries and affiliates* | | *145* | *146* | *154* |
| *Equity method subsidiaries and affiliates* | | *472* | *456* | *458* |
| *Other* | | *161* | *187* | *220* |
| **FIXED ASSETS** | 3 | **11,983** | **12,357** | **9,275** |
| Inventories | | 1,181 | 1,111 | 1,087 |
| Programmes and broadcasting rights | | 693 | 667 | 594 |
| Advances and payments on account | | 105 | 97 | 317 |
| Trade receivables (b) | | 5,972 | 5,865 | 6,445 |
| Other receivables, prepaid expenses and similar items (b) | | 2,519 | 2,780 | 2,595 |
| Short-term investment securities | | 2,144 | 1,380 | 1,565 |
| Cash and equivalents | | 472 | 526 | 633 |
| **CURRENT ASSETS** | 4 | **13,086** | **12,426** | **13,236** |
| **TOTAL ASSETS** | | **25,069** | **24,783** | **22,511** |
| (a) Of which due in less than one year | | 3 | 3 | 13 |
| (b) Of which due in more than one year | | 750 | 878 | 707 |

### Liabilities and Shareholders' Equity (€ million)

| | Note | 2003 | 2002 | 2001 |
|---|---|---|---|---|
| Authorised capital | | 333 | 344 | 344 |
| Premiums, reserves and consolidated earnings (c) | | 4,867 | 4,869 | 4,296 |
| Translation reserve | | (69) | 20 | 100 |
| Treasury stock | | - | (222) | - |
| **SHAREHOLDERS' EQUITY (attributable to Group)** | | **5,131** | **5,011** | **4,740** |
| Minority interests | | 894 | 1,024 | 741 |
| **TOTAL SHAREHOLDERS' EQUITY** | | **6,025** | **6,035** | **5,481** |
| Other equity | | 167 | 344 | 22 |
| **TOTAL SHAREHOLDERS' EQUITY AND OTHER EQUITY** | 5 | **6,192** | **6,379** | **5,503** |
| **PROVISIONS FOR LIABILITIES AND CHARGES** | 6 | **1,896** | **1,882** | **1,909** |
| **FINANCIAL LIABILITIES** (d) | 7 | **5,160** | **4,825** | **3,081** |
| **PROGRESS PAYMENTS RECEIVED** | | **576** | **544** | **531** |
| Trade payables | | 5,345 | 5,241 | 5,236 |
| Other non-financial liabilities, accrued income and similar items | | 5,658 | 5,630 | 6,010 |
| **NON-FINANCIAL LIABILITIES** (e) | 8 | **11,003** | **10,871** | **11,246** |
| Short-term bank borrowings | | 242 | 282 | 241 |
| **TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY** | | **25,069** | **24,783** | **22,511** |
| (c) Of which net earnings for the year (attributable to Group) | | 450 | 666 | 344 |
| (d) Of which due in less than one year | | 1,178 | 724 | 369 |
| (e) Of which due in more than one year | | 303 | 219 | 151 |

# Consolidated income statement (€ million)

| | Note | 2003 | 2002 | 2001 |
|---|---|---|---|---|
| **SALES** (1) | 13 | **21,822** | **22,247** | **20,473** |
| Other operating revenue | | 1,104 | 1,249 | 1,138 |
| Purchases and changes in inventories | | (4,888) | (4,836) | (4,505) |
| Taxes other than income tax | | (473) | (492) | (438) |
| Personnel costs | | (4,615) | (4,710) | (4,475) |
| External charges and other operating expenses | | (10,431) | (11,183) | (10,563) |
| Net depreciation, amortisation and provisions | | (1,339) | (1,294) | (814) |
| Share in earnings of unincorporated joint ventures | | 58 | 77 | 60 |
| **OPERATING INCOME** | 13 | **1,238** | **1,058** | **876** |
| Net financial items | 9 | (219) | (291) | (149) |
| **EARNINGS BEFORE TAX AND EXCEPTIONAL ITEMS** | 13 | **1,019** | **767** | **727** |
| Net exceptional items | 11 | (14) | 368 | 73 |
| Income tax | 12 | (380) | (316) | (268) |
| **NET EARNINGS OF CONSOLIDATED COMPANIES** | | **625** | **819** | **532** |
| Share in earnings of companies accounted for by the equity method | 13 | 43 | 52 | 22 |
| **NET EARNINGS BEFORE MINORITY INTERESTS AND AMORTISATION OF GOODWILL** | | **668** | **871** | **554** |
| Amortisation of goodwill | | (42) | (42) | (44) |
| **NET EARNINGS BEFORE MINORITY INTERESTS** | | **626** | **829** | **510** |
| Minority interests | | (159) | (154) | (166) |
| Share of earnings acquired from minority interests | | (17) | (9) | - |
| **NET EARNINGS (attributable to Group)** | | **450** | **666** | **344** |
| Earnings per share (€) | | 1.34 | 1.93 | 1.03 |
| Diluted earnings per share (€) | | 1.28 | 1.84 | 0.98 |
| (1) Of which sales generated outside France. | | 6,110 | 7,195 | 7,607 |

## Consolidated cash flow statement (€ million)

| | Note | 2003 | 2002 | 2001 |
|---|---|---|---|---|
| **A - OPERATING ACTIVITIES** | | | | |
| **Cash flow from operations** | 13 | **2,073** | **1,713** | **1,135** |
| Net earnings of consolidated companies (1) | | 611 | 804 | 512 |
| Depreciation, amortisation and provisions on fixed assets | | 1,255 | 1,268 | 904 |
| Net change in provisions and deferred taxes | | 264 | 93 | (150) |
| Expenses to be amortised over several periods | | (4) | (22) | (7) |
| Net gain (loss) on disposals of assets and other items | | (53) | (430) | (124) |
| **Change in working capital requirement** | 13 | **239** | **438** | **326** |
| Current assets, prepaid expenses and similar items | | (236) | 442 | (6) |
| Net progress payments received, non-financial liabilities and other items | | 475 | (4) | 332 |
| **NET CASH FROM OPERATING ACTIVITIES** | | **2,312** | **2,151** | **1,461** |
| **B - INVESTING ACTIVITIES** | | | | |
| **Increase in fixed assets** | | **(2,250)** | **(3,618)** | **(1,951)** |
| Acquisitions of intangible and tangible fixed assets | | (1,133) | (1,946) | (1,288) |
| Acquisitions of participating interests | | (1,117) | (1,672) | (663) |
| **Decrease in fixed assets** | | **677** | **751** | **429** |
| Disposals of intangible and tangible fixed assets | | 203 | 101 | 163 |
| Disposals of participating interests | | 474 | 650 | 266 |
| **Net investment** | 13 | **(1,573)** | **(2,867)** | **(1,522)** |
| Net change in other long-term investments | | (4) | (3) | (13) |
| Net change in liabilities relating to fixed assets | | (91) | 46 | (58) |
| Impact of changes in Group structure on cash position | | 15 | 24 | 10 |
| **NET CASH USED FOR INVESTING ACTIVITIES** | | **(1,653)** | **(2,800)** | **(1,583)** |
| **C - FINANCING ACTIVITIES** | | | | |
| Increase in shareholders' equity and other equity | | (248) | (82) | 245 |
| Dividends paid during the year | | (213) | (229) | (229) |
| Net change in financial liabilities | | 558 | 644 | 2 |
| **NET CASH FROM (USED FOR) FINANCING ACTIVITIES** | | **97** | **333** | **18** |
| **D - NET IMPACT OF EXCHANGE RATE MOVEMENTS** | | **(19)** | **(14)** | **2** |
| **CHANGE IN CASH AND EQUIVALENTS (A + B + C + D)** | | **737** | **(330)** | **(102)** |
| Cash and equivalents at 1 January (2) | | 1,624 | 1,957 | 2,061 |
| Net flows during the year | | 737 | (330) | (102) |
| Other non-cash movements (3) | | 13 | (3) | (2) |
| **CASH AND EQUIVALENTS AT 31 DECEMBER (2)** | | **2,374** | **1,624** | **1,957** |

(1) Net earnings of consolidated companies after amortisation of goodwill, including dividends received from companies accounted for by the equity method.
(2) Cash plus marketable securities less short-term bank borrowings.
(3) Transfers between line items.

# Notes to the consolidated financial statements at 31 December 2003

## CONTENTS



**Amounts expressed in millions of euros**

## Note 1 SIGNIFICANT EVENTS IN 2003

### Further acquisitions of Bouygues Telecom shares

- In January 2003 Bouygues bought a 5.8% equity stake in Bouygues Telecom from the German energy group E.ON at a price of €143.23 per share, or €334.4 million. Bouygues also purchased from E.ON its 7.5% share of outstanding shareholder loans to Bouygues Telecom for €60 million.

  This transaction raised Bouygues' interest in Bouygues Telecom to 72.9%.

  This additional acquisition generated a further consolidation difference of €256 million (partial re-estimation method).

- From January 2003 Bouygues had a call option, exercisable at any time until 14 October 2005, on the remaining Bouygues Telecom shares held by E.ON, representing a 10.1% equity stake. The exercise price of this option was equal to the price of the shares acquired in January 2003 increased at the rate of 4.5% a year to the exercise date.

  Bouygues exercised this option in December 2003, thereby raising its interest in Bouygues Telecom to 83% at year-end 2003. The amount paid for all of the shares under option was €609.5 million. Simultaneously, Bouygues purchased the remaining shareholder loans held by E.ON for €82.2 million.

  This transaction generated a further consolidation difference of €452 million.

  On the basis of projected Bouygues Telecom earnings, this transaction is accretive in 2004: its impact on consolidated net earnings attributable to the Group will be positive, since the share of earnings acquired will be greater than the corresponding interest expense.

  The consolidation differences generated by the acquisitions in 2002, namely €751 million (equity interest raised from 53.7% to 67.1%, triggering full consolidation) and in 2003, namely €708 million (equity interest raised from 67.1% to 83%) have been allocated at fair value to intangible assets as shown below:

| | | |
|---|---|---|
| - subscriber portfolio | = | 55 |
| - market share | = | 1,404 |
| | | 1,459 |

### Disposal of South East Water Services (United Kingdom)

On 1 October 2003 Saur sold its British water distribution subsidiary, South East Water, to Macquarie Bank Group on the basis of an enterprise value of £426 million (€607 million). The value of the securities sold after repayment of debt was €425.3 million.

Excluding the British water subsidiary's earnings of €26 million during the first nine months of 2003, this transaction resulted in a loss on disposal of €44 million (including selling expenses) in the consolidated accounts of the Saur group and a loss on disposal of €6 million at the level of the Bouygues group, owing to additional consolidation restatements at that level.

### Bouygues SA: reduction in authorised capital

At 31 December 2002 Bouygues SA's holding of its own shares was booked as a deduction of €222 million from consolidated shareholders' equity.

On 17 June 2003 the board of directors decided to cancel the own shares held at that date. The impact of this cancellation on consolidated shareholders' equity was a deduction in an amount equal to the value of shares acquired between 1 January and 17 June 2003, or €60 million.

On 16 December 2003 the board of directors authorised a further cancellation of €59.9 million, corresponding mainly to the shares acquired during the second half of 2003.

### Bouygues SA: €750 million bond issue

In November 2003 the Group issued €750 million in bonds maturing on 25 February 2011 to provide long-term refinancing of the purchase from E.ON of its ownership stake in Bouygues Telecom (10.1% of the equity).

The issue price was 99.348% and the interest rate was 4.625%.

### Significant events occurring after 31 December 2003

No significant event or significant change in scope of consolidation has occurred since 31 December 2003.

## Note 2 ACCOUNTING POLICIES

**2.1** The consolidated financial statements of the Bouygues group are presented in accordance with the rules and accounting methods set forth by France's accounting regulatory body, the Comité de la Réglementation Comptable (CRC), in the annexe to its Regulation 99-02. The financial statements of foreign subsidiaries, drawn up according to the rules of their home country, are restated to bring them into conformity with current accounting principles in France.

The Group's consolidated accounts are drawn up at 31 December on the basis of individual company financial statements at that date. Subsidiaries whose financial year does not end on 31 December prepare intermediate statements if their closing date is more than three months prior to that date.

Companies are included within the scope of consolidation from the date of acquisition and removed from it from the date of disposal. For convenience, and if the impact is not significant, inclusion may be done on the basis of the last balance sheet closed prior to the date of acquisition.

The Bouygues group applies all the methods deemed preferable:

a) The percentage of completion method of accounting for long-term contracts.

b) Recognition on the income statement of translation gains and losses on monetary assets and liabilities denominated in foreign currencies.

c) Amortisation of issuance expenses and redemption premiums over the life of debt securities issued by the Group.

d) Recognition on the balance sheet of costs of pension and other post-employment benefits (projected benefit obligation determined by the retrospective method, based on forecast retirement date and final salary).

e) For finance leases, recognition of a tangible asset and a corresponding financial liability on the balance sheet and recognition of imputed depreciation and financial charges on the income statement.

In accordance with CNC Recommendation 2003-R01 of 1 April 2003 and CRC Regulation 2000-06 on accounting for liabilities, the Group booked provisions at 31 December 2003 for long-service awards in certain of its business segments. The after-tax impact at 1 January 2003 of this change of accounting method amounts to €10 million and has been charged to shareholders' equity.

### 2.1.0 Accounting for subsidiaries, affiliates and participating interests

Companies over which Bouygues exercises sole control, directly or indirectly, de jure or de facto, are fully consolidated.

Companies controlled jointly by several shareholders are proportionally consolidated on the basis of Bouygues' percentage of control.

Companies over which Bouygues exercises significant influence are accounted for by the equity method.

All Group companies with own-account sales of €2 million or more are included in the scope of consolidation. Companies that hold equity interests in other companies are included regardless of the amount of their sales.

Participating interests that are not consolidated or accounted for by the equity method are carried at acquisition cost. A negative difference, other than temporary, between book value and market value gives rise to a provision for impairment.

**Changes in Group structure**

| | 12/03 | 12/02 |
|---|---|---|
| Full consolidation | 726 | 716 |
| Proportional consolidation | 146 | 168 |
| Equity method | 35 | 33 |
| | **907** | **917** |

The small decrease in 2003 in the number of companies within the scope of consolidation is due primarily to Saur (disposal of South East Water Services) and construction activities.

The main consolidated companies are listed in Note 18.

### 2.1.1 Goodwill

When an equity interest is acquired in a company that will be consolidated, any positive difference on first consolidation (i.e. any excess of purchase price over book value of net assets acquired) that is attributable to identifiable assets is allocated to the appropriate items on the consolidated balance sheet, in accordance with the fair value principles set forth in CRC Regulation 99-02.

Any remaining balance is booked to 'Goodwill' if positive or to 'Provisions for liabilities and charges' if negative.

Valuation differences recognised on first consolidation may be allocated to non-amortisable intangible assets (such as market share, brands and subscriber base) when the value of such assets can be determined with sufficient accuracy and objectivity by a valuation method based on a range of criteria (sales, profitability, and, for TF1, audience share, share of the advertising market, and advertising income).

The main allocations of first-consolidation differences do not become definitive until one year from the close of the financial year during which the acquisition was made.

The Bouygues group continues to use the 'partial re-estimation' method of allocating valuation differences, as allowed by Article 230 of CRC Regulation 99-02. With this method, re-estimation is limited to the identifiable elements of the equity interest acquired. Minority interests are accordingly reckoned on the basis of book value as determined from the balance sheet of the acquired company.

Residual valuation differences that cannot be allocated to other line items on the balance sheet are recorded as goodwill.

Positive goodwill is amortised over a period not exceeding 20 years according to a schedule specific to each acquisition, taking into account the economic sector of the activity and the future prospects and profitability of the business.

Negative goodwill is taken to the income statement over a period of at most 5 years.

The Group has not opted for early application of CRC Regulation 2002-10 on amortisation and write-down of assets. The valuation of goodwill and other intangible assets is monitored annually, and exceptional amortisation or provisions may be taken if needed.

Tests of subsequent impairment are performed by comparing the aggregate value of all lots with the corresponding proportionate share of recoverable value, rather than on a lot-by-lot basis.

At 31 December 2003, appropriate tests of value were made for the assets in question using the discounted cash flow method. The tests were established on the basis of reasonable assumptions within a going-concern framework, using an appropriate discount rate and realistic projections of activity and earnings for each business segment. These tests revealed no impairment in value warranting recognition.

### 2.1.2 Translation of foreign companies' financial statements

The financial statements of subsidiaries whose functional currency is not the euro are translated using the exchange rate at year-end for the balance sheet and the average exchange rate for the year for the income statement and cash flow statement. Translation gains or losses are booked to shareholders' equity in the 'Translation reserve' item.

As an exception to the foregoing, the financial statements of companies in high-inflation countries are translated;

- at the historical exchange rate, for fixed assets and other non-monetary assets, thereby maintaining the investment cost in euros at the acquisition date,
- at the year-end exchange rate, for monetary items on the balance sheet.

Earnings of these companies are recalculated at the year-end exchange rate. Translation gains or losses resulting from the different rates used are recognised on the income statement.

### 2.1.3 Translation of transactions in foreign currencies

Transactions in foreign currencies are translated at the exchange rate prevailing on the date they were booked. The resulting translation gains or losses are recognised on the income statement.

### 2.1.4 Deferred taxes

Deferred tax assets and liabilities are recognised for differences in accounting values for tax purposes and for financial reporting purposes. They result from:

- temporary differences that appear when the book value of an asset or liability is different from its tax value. These differences are either:
  – sources of future taxes (deferred tax liabilities):

mainly income on which tax is deferred; or

– sources of future tax deductions (deferred tax assets): mainly provisions that are temporarily non-deductible.

- tax loss carryforwards (deferred tax assets), when there is a real likelihood of recovery in future years.

Deferred taxes are booked at the tax rate in effect at the balance sheet date and subsequently adjusted to reflect changes in tax legislation and current tax rates.

Estimated unrecoverable distribution taxes on dividends to be paid in 2004 by French and foreign subsidiaries are provisioned if they are significant.

## 2.2 Accounting policies

### 2.2.1 Assets

#### a) Fixed assets

Fixed assets are valued at historical cost.

**Intangible fixed assets**

- Preliminary expenses and research and development costs.

  Expensed in full in the year in which incurred.

- Commercial goodwill and leasehold rights.

  Commercial goodwill that is recorded in individual company accounts is not amortised if it does not enjoy legal protection. It is written down if its market value falls below book value.

- Concessions, patents and similar rights.

  For Bouygues Telecom, this item includes:

  - the cost of taking part in operations to free up radio frequencies, amortised over 12 years;
  - costs of software, especially network operating software, amortised over 3 to 10 years depending on the type of software;
  - the cost of the fixed portion of the 20-year UMTS licence, which will be amortisable from the future launch date of the commercial services associated with the licence until the end of the licence period in August 2021.

**Other intangible assets**

Other intangible assets include:

- Valuation differences on first consolidation of acquired entities relating to recognised intangibles such as customer base, business value, market share, etc. Commercial goodwill of acquired subsidiaries is estimated using objective indicators and a consistent methodology based on criteria of profitability, volume of business and market value. If need be, impairment provisions are booked.
- Films and audiovisual rights capitalised by TF1 as part of its film production business (co-productions, music rights, audiovisual distribution and trading rights). Depending on the activity, films and audiovisual rights are amortised either straight-line over 3 to 5 years or against actual revenue. Music rights are amortised over two years (75% in the first year). An impairment provision is recorded when forecast future revenues do not cover net book value.
- Amounts paid by Saur to local authorities for operating rights, which are amortised over the remaining term of the contract.

**Tangible fixed assets**

Tangible fixed assets are valued at acquisition cost.

**Saur group**

Saur and its water distribution subsidiaries provide delegated management services and are responsible for managing facilities that belong to the government or local authorities. Such facilities do not appear as assets on Saur's balance sheet, but expenditures to maintain and renew them are booked as charges. However, facilities managed under concession contracts, if financed by the group, are recorded on the balance sheet as tangible fixed assets and depreciated over the term of the contract.

**Finance leases**

If significant, properties obtained under finance leases are recorded on the balance sheet as fixed assets, and the corresponding financial obligations are recorded as financial liabilities.

**Useful lives for depreciation purposes, by business segment**

| | Telecom | Media | Public Utilities Management | Construction |
|---|---|---|---|---|
| Buildings not used in operations | - | 20 years | 10 to 20 years | 10 to 30 years depending on type |
| Industrial buildings | 20 years | - | 10 to 20 years | 10 to 20 years depending on type |
| Industrial plant and equipment | 5 to 10 years | 3 to 5 years | 3 to 8 years | 3 to 8 years (1) |
| Other tangible fixed assets (vehicles, office equipment) | 2 to 10 years | 2 to 10 years | 3 to 8 years | 3 to 10 years (1) |

(1) Depending on the type of equipment.

#### b) Current assets and other assets

**Inventories**

Inventories are valued at cost (FIFO or weighted average price) or at market value, whichever is lower. When the realisable value of inventories is less than the cost, provisions for impairment are booked.

**Programmes and broadcasting rights (TF1)**

This item includes programmes produced in-house by TF1 and not yet broadcast, acquired broadcast rights to programmes produced by third parties, and co-productions. Programmes and broadcast rights are valued at total cost of production (including a portion of indirect costs) or at acquisition cost for co-productions. The amortisation method depends on the nature of the programme and the potential number of broadcasts. Most are written off in full after the first broadcast or whenever it becomes apparent that a given programme will not be broadcast.

**Trade receivables**

Trade receivables are carried on the balance sheet at face value, less any impairment provisions deemed necessary to reflect the likelihood of recovery. Under the percentage-of-completion method of accounting for long-term contracts, this line item includes:

- amounts receivable on statements issued in respect of work in progress and accepted by the client,
- amounts receivable on invoices to be issued, corresponding to work that has been completed but, because of timing differences, has not yet been billed to or accepted by the client.

**Short-term investment securities**

Short-term investment securities are stated at acquisition cost. Provisions are booked for unrealised capital losses at year-end.

### 2.2.2 Equity and liabilities

#### a) Consolidated shareholders' equity

Own shares held for purposes other than stabilisation of the stock price or fulfilment of employee stock purchases or grants are considered treasury stock and booked as a deduction from shareholders' equity.

Stock options do not give rise to an accounting entry in this line item when granted. When stock options are exercised, however, the shares issued are recorded as a capital increase on the basis of the payments received from the beneficiaries.

Other equity corresponds mainly to a proportionate share of participating loans subscribed by minority shareholders of Bouygues Telecom.

### b) Provisions for liabilities and charges

These provisions are intended to cover liabilities and charges likely to arise as a result of events that have occurred or are ongoing. They include:

- Provisions to cover the uninsured portion of two-year and ten-year construction warranties. These provisions are booked by the companies concerned as revenue is recorded, based on statistical data derived from experience over a long period.
- Provisions for losses to completion on contracts. These provisions concern contracts in progress and take into account claims accepted by customers. They are evaluated project by project and are not offset against each other.
- Provisions for renewal of public utility facilities (Saur), booked when the group, under the terms of its delegated management contracts, is required to renew water distribution and treatment facilities in order to keep them in good working order. These provisions are based on the estimated replacement cost at year-end and the theoretical useful life of the facilities. They are booked item by item whenever the probable useful life of the facilities is shorter than the remaining term of the contract, in accordance with current provisions of tax law.
- Provisions for deferred taxes.
- Provisions for notified additional tax assessments.
- Provisions to cover litigation, disputes and other foreseeable risks of the Group's activities, especially outside France, such as cancellation of contracts, major repairs and sundry liabilities and charges.
- Provisions for post-employment benefits payable to employees at retirement and not covered by insurance policies. The projected benefit obligation at the retirement date is determined by the retrospective method, based on final salary and plan benefits. The valuation is based on the pension plan for each occupation and takes into account:
  - rank, age and length of service by staff category;
  - turnover rate, calculated from average departures by occupation, age range and staff category;
  - average pay and benefits, increased by a coefficient reflecting the current rate of employer social insurance contributions;
  - final salary adjustment ratio (by occupation);
  - annual discount rate for present value calculations;
  - life expectancy, as determined from actuarial tables.

The Group applies CNC Recommendation 2003-R01 and does not take into account variations in the value of rights resulting from changes in actuarial assumptions when the difference does not exceed plus or minus 10% of the aggregate pension obligation (“corridor” method). The difference will be amortised over the mean remaining active life of the employees concerned.

In accordance with CRC Regulation 00-06 on accounting for liabilities, information concerning the most significant provisions is provided in so far as such disclosure causes the Group no harm.

### c) Advances and payments on account

This item includes advances and down-payments from customers on construction contracts.

## 2.2.3 Income statement

### Definition of consolidated sales

Consolidated sales are equal to aggregate revenue from work and services performed, products and properties sold. This item comprises the sales of fully consolidated companies and the Group’s proportionate share of the sales of companies consolidated by the proportional method, whether managed by the Group or not, after elimination of intragroup transactions.

### Accounting for long-term contracts

#### Construction activities

All activities relating to long-term contracts are accounted for using the percentage-of-completion method, based on the ratio of actual spending to date to projected total spending on the contract.

#### Property development

The following rules are applied.

Revenue is recognised according to the percentage-of-completion method when the following conditions have been met:

- A final building permit has been issued.
- A binding sales agreement has been executed.
- A contract has been signed with the builder, and the order to proceed with the work has been given.

The percentage of completion is determined as the ratio of expenses incurred to date to projected total expenditure on the project.

Provisions for the cost of completing property development programmes on this type of contract are made based on the stage of completion. Interest charges on ongoing and completed property developments are expensed in full in the year in which they are incurred.

### Share in earnings of unincorporated joint ventures

This item corresponds to the Group’s share in earnings of non-consolidated companies engaged in the manufacture of asphalt mixes and similar materials. As such, these earnings are included in operating income.

### Exceptional items

Exceptional income and expense items result from events or transactions that are clearly distinct from the ordinary activities of the business and not expected to recur on a frequent or regular basis.

## 2.2.4 Hedging instruments

Certain Group companies use hedging instruments in order to limit the income-statement impact of movements in exchange rates and interest rates. Group policy for using hedging instruments is described below.

### Nature of the Group’s risk exposure

#### Exchange rate risk

Broadly speaking, the Group has little exposure to exchange rate risk in its ordinary business operations. As far as possible, the Group seeks to ensure that when contracts are invoiced in foreign currencies, the corresponding outlays are made in the same currency. This is the case for most contracts outside France, where the proportion of expenditure on sub-contractors and suppliers in local currency is much greater than the proportion of expenditure in euros. The Group is also especially attentive to the risks associated with assets in non-convertible currencies and, more generally, to ‘country risk’.

#### Interest rate risk

The Group's financial result is relatively insensitive to interest rate movements. Most of the Group's debt is effectively fixed-rate, in the form of fixed-rate bonds and a portfolio of hedging instruments that transform floating-rate debt into fixed-rate debt. On average over the year, variable-rate bank debt on the balance sheet is less than cash and equivalents invested in variable-rate instruments. The Group's income statement would not be greatly affected by a change in European interest rates or by a divergence between euro interest rates and interest rates in leading foreign currencies.

#### Groupwide policies regarding hedging instruments

The instruments used by the Group are limited to the following: for exchange rate hedges, forward purchases and sales, currency swaps and currency options; for interest rate hedges, interest rate swaps, forward rate agreements (FRAs), caps and floors.

In addition, these instruments:

- are used only for hedging purposes,
- are contracted only with leading French and foreign banks,
- present no risk of illiquidity in the event of a downturn.

The management and supervisory bodies of the companies that engage in hedging are especially vigilant about the utilisation of these instruments and the choice of counterparties.

#### Hedging rules

**Exchange rate risk**

The principle applied within the Group is to systematically cover any residual exchange rate risk arising from commercial transactions. When cash flows are certain, exchange rate risk is covered by forward purchases and sales or by currency swaps. For some major contracts, a hedge using currency options may be put in place before the deal is definitively concluded. Foreign companies' participating interests are generally covered by debt of a comparable amount in the same currency issued by the companies holding the interests in question.

For purposes of rationalisation, the foreign exchange positions of some Group entities may be managed centrally so that symmetrical positions can be offset against each other.

**Interest rate risk**

The principle is to hedge, at the level of each subgroup, all or part of the financial assets and liabilities that are foreseeable and recurring. In practice, the entities that hedge interest rate risk are those whose business is by nature capital-intensive (public utilities management, telecommunications, media). These entities secure their future financial position by fixing the cost of their debt with swaps and FRAs or by limiting it with caps for a period of time linked to the maturity of the financial liabilities being hedged.

As with exchange rate risk, and likewise for purposes of rationalisation, the interest rate positions of some Group entities may be managed centrally and partially offset against each other.

#### Accounting method

Gains and losses on the instruments used in hedging transactions are recognized in the same manner as income and expense of the items hedged.

### 2.2.5 Cash flow statement

The Group's net cash position, for which an analysis of changes during 2003 is presented in the cash flow statement, is the net balance of the following balance sheet items:

- net cash and short-term investment securities,
- short-term bank borrowings.

Cash flow from operations includes changes in provisions for current assets. It includes the net earnings of fully consolidated companies and dividends received from companies accounted for by the equity method.

### 2.2.6 Off balance sheet commitments

The summary in note 14 presents information on reciprocal commitments, complex commitments associated with programmes for securitisation of receivables, and other commitments.

## 2.3 Other information: comparability of financial statements

- The impact of changes in scope of consolidation between 31 December 2002 and 31 December 2003 is not such as to impair the comparability of the consolidated financial statements as presented.
- With the exception of the points mentioned in the foregoing, the accounting policies and valuation rules applied at 31 December 2003 are on the whole identical to those applied in the preceding year and do not preclude comparison of balance sheet and income statement items from one year to the next.

## Note 3 FIXED ASSETS 11,983

The breakdown of fixed assets by business segment is given in note 13.

### Consolidated capital expenditure

| | 2003 | 2002 |
|---|---|---|
| Intangible fixed assets | 176 | 787 |
| Plant and equipment | 957 | 1,159 |
| **Operating investments** | **1,133** | **1,946** |
| Long-term investments<br>Consolidated subsidiaries and affiliates and other long-term securities | (1) 1,117 | 1,672 |
| **Consolidated capital expenditure** | **2,250** | **3,618** |
| **Disposals of fixed assets** | (2) **(677)** | **(751)** |
| **Net capital expenditure** | **1,573** | **2,867** |

(1) Of which €944 million for acquisitions of Bouygues Telecom (15.9% interest).
(2) Of which €(425) million on disposal of South East Water Service (water business in UK).

### Movements 2003

#### A - Intangible fixed assets 6,409

| | 1 January 2003 | Changes in Group structure and translation adjustments | Additions and other increases | Disposals and other reductions | Net depreciation amortisation and provisions | Transfers and other movements | 31 December 2003 |
|---|---|---|---|---|---|---|---|
| **Gross** | **6,778** | **644** | **176** | **(27)** | **-** | **2** | **7,573** |
| Depreciation, amortisation and provisions | (1,032) | 36 | - | 20 | (188) | - | (1,164) |
| **Net** | **5,746** | **680** | **176** | **(7)** | **(188)** | **2** | **6,409** |

**Main items**

| | | Percentage interest 31/12/2003 | 31/12/2002 |
|---|---|---|---|
| 1) Net valuation differences allocated to intangible elements of participating interests: | | | |
| Bouygues Telecom | 2,378 | 83.05% | 67.13% |
| TF1 and subsidiaries | 1,290 | 41.36% | 41.57% |
| Saur and subsidiaries | 763 | 100.00% | 100.00% |
| Colas and subsidiaries | 609 | 95.90% | 95.36% |
| Other | 24 | | |
| | 5,064 | | |

The allocations above relate essentially to market shares of the entities concerned.

2) Bouygues Telecom UMTS licence: 619 / network and other software: 726.

- **Valuation differences**

The valuation principles applied to intangible assets are described in note 2.12.

In particular, the main valuation differences booked to intangible assets are constituents of the re-estimation value of the different lots, which is determined at the time of acquisition (the “partial re-estimation” method). Tests of value are performed on the set of all lots of securities acquired, by comparing it with the corresponding proportionate share of recoverable value, rather than lot by lot. Upon each acquisition of a lot, the value of a 100% share of the intangible asset may be different if the enterprise value of the entity acquired has changed.

Balance sheet valuation differences are compared annually with:

- recent transactions, when these are deemed significant, which is the case for Bouygues Telecom,
- test valuations, which in 2003 were made using a discounted future cash flow methodology. At year-end 2003, the recoverable values so obtained are appreciably greater than the historical book values on the balance sheet.

- **Consolidated cost basis of quoted TF1 and Colas shares**

| | Consolidated cost basis per share (1) | Average share price 31/12/2003 (2) |
|---|---|---|
| TF1 | €8.91 | €27.5 |
| Colas | €53.36 | €89.9 |

(1) Book value per share in consolidation.
(2) Average of share prices between 1 December and 31 December 2003.

#### B - Goodwill 264

| | 1 January 2003 | Changes in Group structure and translation adjustments | Additions and other increases | Disposals and other reductions | Net depreciation amortisation and provisions | Transfers and other movements | 31 December 2003 |
|---|---|---|---|---|---|---|---|
| **Gross** | **810** | **(15)** | **-** | **-** | **-** | **(9)** | **786** |
| Depreciation, amortisation and provisions | (513) | 38 | - | - | (51) | 4 | (522) |
| **Net** | **297** | **23** | **-** | **-** | **(51)** | **(5)** | (1) **264** |

(1) Of which acquisition goodwill on TF1 and subsidiaries, €115 million; on Saur and subsidiaries, €60 million; Colas and subsidiaries, €62 million.

## C - Tangible fixed assets 4,532

| | 1 January 2003 | Changes in Group structure and translation adjustments | Additions and other increases | Disposals and other reductions | Net depreciation amortisation and provisions | Transfers and other movements | 31 December 2003 |
|---|---|---|---|---|---|---|---|
| Land (1) | 605 | (58) | 25 | (9) | - | 3 | 566 |
| Buildings (1) | 993 | (140) | 74 | (19) | - | 18 | 926 |
| Industrial plant and equipment | 6,559 | (628) | 562 | (377) | - | 122 | 6,238 |
| Other tangible fixed assets | 1,767 | (191) | 177 | (132) | - | 7 | 1,628 |
| Tangible fixed assets under construction, advances and payments on account | 269 | (108) | 119 | (2) | - | (155) | 123 |
| **Gross** | **10,193** | **(1,125)** | **957** | **(539)** | **-** | **(5)** | **9,481** |
| Depreciation, amortisation and provisions | (4,668) | 339 | - | 394 | (1,012) | (2) | (4,949) |
| **Net** | **5,525** | **(786)** | **957** | **(145)** | **(1,012)** | **(7)** | (2) **4,532** |

| | 2003 gross | 2003 net | 2002 gross | 2002 net |
|---|---|---|---|---|
| (1) Of which buildings held by Bouygues Immobilier. | 119 | 95 | 118 | 105 |

(2) Of which assets financed by finance leases (mainly lands and buildings).

A breakdown of net intangible and tangible fixed assets and operating investments by business segment and geographic area is given in Note 13: information by business segment.

## D - Long-term investments 778

| | 1 January 2003 | Changes in Group structure and translation adjustments | Additions and other increases | Disposals and other reductions | Net depreciation amortisation and provisions | Transfers and other movements | 31 December 2003 |
|---|---|---|---|---|---|---|---|
| Non-consolidated subsidiaries and affiliates | 285 | 2 | 20 | (30) | - | 1 | 278 |
| Equity method affiliates | 456 | (13) | 56 | (27) | - | - | 472 |
| Other long-term investments | 217 | (23) | 39 | (41) | - | (6) | 186 |
| **Gross** | **958** | **(34)** | **115** | **(98)** | | **(5)** | **936** |
| Depreciation, amortisation and provisions | (169) | 2 | | | 9 | | (158) |
| **Net** | **789** | **(32)** | **115** | **(98)** | **9** | **(5)** | **778** |

### • Non-consolidated subsidiaries and affiliates (net) 145

| | 12/2003 | | | | 12/2002 |
|---|---|---|---|---|---|
| **Participations** (1) | **Gross** | **Provisions** | **Net** | **% interest** | **Net** |
| **French companies** | | | | | |
| CATC | 24 | 14 | 10 | 99.7 | 9 |
| Financière du point du jour | 10 | 7 | 3 | 100.0 | 2 |
| Périphérique de Lyon | 9 | 8 | 1 | 38.7 | 1 |
| EMGP (2) | | | | | 5 |
| Colas asphalt and paving subsidiaries | 46 | 4 | 42 | | 48 |
| Other French subsidiaries and affiliates | 63 | 31 | 32 | | 36 |
| **Sub-total** | **152** | **64** | **88** | | **101** |
| **Foreign companies** | | | | | |
| Socoprim | 14 | | 14 | 66.3 | 14 |
| Shanghaï Fengxian | 10 | 1 | 9 | 50.0 | 9 |
| Harbin JV | 8 | 2 | 6 | 50.0 | 6 |
| VSL corporation | 22 | 22 | | 100.0 | |
| Other foreign subsidiaries and affiliates | 72 | 44 | 28 | | 16 |
| **Sub-total** | **126** | **69** | **57** | | **45** |
| **Total** | **278** | **133** | **145** | | **146** |

(1) Non-consolidated participating interests not shown in this table have no significant net value.
(2) Sold in 2003.

• **Equity method affiliates** **472**

**Main equity method companies / Movement during the year**

| Equity method companies | At 01/01/2003 | Net movements 2003 (1) | At 31/12/2003 | Group share in 2003 earnings |
|---|---|---|---|---|
| **Telecom-Media** | | 1 | 1 | |
| **Services** | | | | |
| Obras Sanit Mendoza (Argentina) | 3 | (1) | 2 | (1) |
| Aguas de Valencia | 33 | | 33 | 2 |
| BRLE | 12 | | 12 | 1 |
| Other affiliates | 4 | 3 | 7 | |
| **Construction** | | | | |
| Cofiroute | 286 | 19 | 305 | 37 |
| Tipco Asphalt (Thailand) | 9 | (1) | 8 | |
| Aka RT (Hungary) | 57 | (3) | 54 | |
| Other affiliates holding concessions | 44 | (2) | 42 | 2 |
| Other affiliates | 8 | 1 | 9 | 2 |
| **Total** | **456** | **16** | **472** | **43** |

(1) Including share in the year's earnings, acquisitions, changes in Group structure, currency translation adjustments, dividends distributed and capital increases.

• **Other long-term investments (net)** **161**

| | | |
|---|---|---|
| Main items: | | |
| - Advances to subsidiaries and affiliates | | 24 |
| - Capitalised loans and advances | | 45 |
| - Other long-term investments | | 92 |
| Detail of other long-term investments: | | |
| Security deposits | 55 | |
| Other long-term investment securities | 37 | |

| | |
|---|---|
| Principal holdings included in Other long-term investment securities above: | |
| BRL (Saur) | 5 |
| PVE (Bouygues Telecom) | 4 |
| Bymages (Bouygues SA) | 4 |
| Sundry investment funds | 8 |
| Other – no item greater than €2 million | 16 |
| | 37 |

## Note 4 CURRENT ASSETS, PREPAID EXPENSES AND SIMILAR ITEMS

| Inventories | 12/2003 Gross | 12/2003 Provisions | 12/2003 Net | 12/2002 Net |
|---|---|---|---|---|
| Inventories of raw materials, supplies and finished goods and unsold properties | 1,283 | (102) | 1,181 | 1,111 |
| TF1 programmes and broadcast rights | 813 | (120) | 693 | 667 |

| Other receivables, prepaid expenses and similar | 12/2003 Gross | 12/2003 Provisions | 12/2003 Net | 12/2002 Net |
|---|---|---|---|---|
| **Other operating receivables** (government, local authorities, employees, social security and other) | 1,114 | (28) | 1,086 | 1,109 |
| **Sundry receivables** (tax credits, amounts due on fixed asset disposals, shareholders' advances and other receivables) | 551 | (128) | 423 | 488 |
| **Prepaid expenses and similar items** (1) | 1,164 | (154) | 1,010 | 1,183 |
| **Total** | **2,829** | **(310)** | **2,519** | **2,780** |

Securitisation commitments: see note 14.

(1) Detail of line item:

| Prepaid expenses and similar items (assets) | 2003 | 2002 |
|---|---|---|
| Prepaid expenses | 255 | 256 |
| Expenses to be amortised over several periods (net) | 42 | 60 |
| Deferred tax asset (1) | 703 | 866 |
| Other | 10 | 1 |
| **Total** | **1,010** | **1,183** |

(1) See detail in Note 6.

**Short-term investment securities**

The realisable value of short-term investment securities at 31 December 2003 was greater than the book value of €2,144 million.

The Group's short-term cash investments are placed with French and foreign banks.

## Note 5 SHAREHOLDERS' EQUITY AND OTHER EQUITY 6,192

- **Movements during the year in shareholders' equity at 31 December 2003 (not including other equity) 6,025**

| Group share | Bouygues SA authorised share capital | Consol. premiums | Consol. reserves | Net earnings 2003 | Other movements: Translation differences | Other movements: Securities of consolidating company | Other movements: Total other movements | Total Group share |
|---|---|---|---|---|---|---|---|---|
| **At 31 December 2001** | **344** | **3,921** | **32** | **344** | **99** | **-** | **99** | **4,740** |
| **Movements in 2002** | | | | | | | | |
| Capital of consolidated companies | - | 7 | 7 | - | - | - | - | 14 |
| Treasury stock | - | - | - | - | - | (222) | (222) | (222) |
| Appropriation of prior year earnings | - | - | 344 | (344) | - | - | - | |
| Net earnings 2002 | - | - | - | 666 | - | - | - | 666 |
| Dividends | - | - | (122) | - | - | - | - | (122) |
| Translation reserve | - | - | - | - | (79) | - | (79) | (79) |
| Changes in accounting method and scope of consolidation | - | - | 14 | - | - | - | - | 14 |
| **At 31 December 2002** | **344** | **3,928** | **275** | **666** | **20** | **(222)** | **(202)** | **5,011** |
| **Movements in 2003** | | | | | | | | |
| Capital of consolidated companies | 1 | 7 | - | - | - | - | - | 8 |
| Treasury stock | (12) | (294) | (36) | - | - | 222 | 222 | (120) |
| Appropriation of prior year earnings | - | - | 666 | (666) | - | - | - | - |
| Net earnings 2003 | - | - | - | 450 | - | - | - | 450 |
| Dividends | - | - | (121) | - | - | - | - | (121) |
| Translation reserve | - | - | - | - | (89) | - | (89) | (89) |
| Changes in accounting method and scope of consolidation | - | - | (1) (8) | - | - | - | - | (8) |
| **At 31 December 2003** | **333** | **3,641** | **776** | **450** | **(69)** | **-** | **(69)** | **5,131** |

(1) Recognition of provisions for long-service awards on 1 January 2003.

| Minority interests | Share of equity | Share of earnings | Total minority interests |
|---|---|---|---|
| **At 31 December 2001** | **575** | **166** | **741** |
| **Movements in 2002** | | | |
| Capital increases | 199 | - | 199 |
| Translation reserve and changes in scope of consolidation | 4 | - | 4 |
| Appropriation of prior-year earnings | 60 | (166) | (106) |
| Net earnings 2002 | - | (2) 163 | 163 |
| Changes in accounting method | 7 | - | 7 |
| Other movements | 16 | - | 16 |
| **At 31 December 2002** | **861** | **163** | **1,024** |
| **Movements in 2003** | | | |
| Capital increases | 11 | - | 11 |
| Translation reserve, changes in scope of consolidation, changes in accounting method and other | (225) | - | (225) |
| Appropriation of prior-year earnings | 71 | (163) | (92) |
| Net earnings 2003 | - | (3) 176 | 176 |
| **At 31 December 2003** | **718** | **176** | **894** |

(2) Includes €9 million share of earnings acquired from minority interests (mainly Bouygues Telecom).

(3) Includes €17 million share of earnings acquired from minority interests (mainly Bouygues Telecom).

- **Other equity 167**

| | 1 January 2003 | Movements | 31 December 2003 |
|---|---|---|---|
| Bouygues Telecom participating securities | 315 | (1) (177) | 138 |
| Other | 29 | | 29 |
| **Total** | **344** | **(177)** | **167** |

(1) Purchased by Bouygues from E.ON after acquisition of E.ON's 15.9% equity stake.

• **Bouygues SA share capital (in euro): 333,199,969 €**

The authorised share capital of Bouygues at 31 December 2003 comprised 332,671,539 shares and 528,430 investment certificates, making a total of 333,199,969 equity securities of par value €1 each.

• **Translation reserve: (69)**

Unrealised foreign exchange gains and losses at 31 December 2003 for foreign companies whose financial statements are expressed in:

- Pound sterling = (17)
- US dollar = (48)
- Malaysian ringgit = 9
- Euro zone currencies (lira/peseta) = (7) (amount frozen since 31/12/1998).

• **Consolidated net earnings per share (undiluted and diluted)**

**Undiluted earnings per share: €1.34**
Undiluted (basic) earnings per share are calculated as net earnings attributable to Group shareholders divided by the average number of shares outstanding in 2003, which was determined to be 334,621,683 shares.

**Diluted earnings per share: €1.28**
Diluted earnings per share are calculated by adding the number of shares that would result from conversion of convertible bonds and exercise of stock options to the denominator, raising it to 351,476,769.

These earnings per share figures are presented at the bottom of the consolidated income statement.

• **Convertible securities and stock options**

| Instrument | Number outstanding at 31/12/2003 | Conversion ratio | Potential number of new shares | Capital increase per share (€) | Issue premium per share (€) | Expiry and remarks |
|---|---|---|---|---|---|---|
| **Convertible bonds** (1) | 1,625,810 | 10.18 | 16,550,746 | 10.18 | 252.22 | 01/01/2006 unless called by issuer for early redemption on or after 01/01/2003 |
| **Stock options** | | | | | | |
| 1997 plan | 304,340 | 1 | 304,340 | 1 | 6.44 | 28/01/2004, exercisable at any time |
| 1999 plan 1 | 2,151,640 | 1 | 2,151,640 | 1 | 20.59 | 20/04/2006, exercisable on or after 20/04/2004 |
| 1999 plan 2 | 969,630 | 1 | 969,630 | 1 | 23.72 | 06/07/2006, exercisable on or after 06/07/2004 |
| 1999 plan 3 | 294,200 | 1 | 294,200 | 1 | 28.64 | 04/11/2006, exercisable on or after 04/11/2004 |
| 2000 | 1,158,700 | 1 | 1,158,700 | 1 | 68.13 | 05/07/2007, exercisable on or after 05/07/2005 |
| 2001 plan 1 | 1,956,200 | 1 | 1,956,200 | 1 | 38.4 | 27/03/2008, exercisable on or after 27/03/2005 |
| 2001 plan 2 | 1,500,000 | 1 | 1,500,000 | 1 | 37.62 | 03/07/2008, exercisable on or after 03/07/2005 |
| 2001 plan 3 | 500,000 | 1 | 500,000 | 1 | 32.75 | 18/09/2008, exercisable on or after 18/09/2005 |
| 2002 plan 1 | 2,997,850 | 1 | 2,997,850 | 1 | 26.56 | 25/06/2009, exercisable on or after 25/06/2006 |
| 2002 plan 2 | 500,000 | 1 | 500,000 | 1 | 26.08 | 17/12/2009, exercisable on or after 17/12/2006 |
| 2003 | 2,994,400 | 1 | 2,994,400 | 1 | 21.8 | 17/06/2010, exercisable on or after 17/06/2007 |
| **Total** | **15,326,960** | | | | | |

(1) Exchangeable for new or existing shares (Océane).

## Note 6 PROVISIONS FOR LIABILITIES AND CHARGES

1,896

• **Detail of provisions by type**

| | 1 January 2003 | Changes in accounting methods, scope of consolidation and translation adjustments | Transfers between line items | Charges for the year | Written back during the year | | 31 December 2003 |
|---|---|---|---|---|---|---|---|
| | | | | | Utilised | Not utilised | |
| **Liabilities** | | | | | | | |
| • Customer warranties (after-sale service) | 204 | (2) | - | 90 | (69) | (3) | 220 |
| • Litigation, disputes and contract claims (6) | 228 | (2) | (7) | 120 | (49) | (24) | 266 |
| • Completed contracts | 68 | (1) | 11 | 42 | (22) | (13) | 85 |
| • Risks on long-term investments | 30 | - | (5) | 14 | (7) | (1) | 31 |
| • Sundry penalties and other risks (2) (4) | 438 | (2) | (63) | 98 | (101) | (50) | 320 |
| **Sub-total liabilities** | **968** | **(7)** | **(64)** | **364** | **(248)** | **(91)** | **922** |
| **Charges** | | | | | | | |
| • Renewal of plant and equipment (Saur) | 215 | - | - | 25 | (21) | - | 219 |
| • Major repairs | 25 | - | (9) | 5 | (9) | (3) | 9 |
| • Deferred tax liability | 109 | (14) | 27 | 5 | (16) | - | 111 |
| • Final contract settlement/site clean-up costs | 169 | (3) | (11) | 65 | (49) | (4) | 167 |
| • Losses to completion on contracts (4) | 99 | (1) | (16) | 60 | (32) | (4) | 106 |
| • Post-employment benefits | 234 | 3 | (1) | 46 | (13) | (2) | 267 |
| • Other charges (3) | 63 | (5) | 18 | 58 | (36) | (3) | 95 |
| **Sub-total charges** | **914** | **(20)** | **8** | **264** | **(176)** | **(16)** | **974** |
| **Total** | **1,882** | **(27)** | **(56)** | **628** | **(424)** | (5) **(107)** | (1) **1,896** |
| Of which write-backs not utilised: | | | | | | | |
| - Operating items | (104) | | | | | (88) | |
| - Financial items | | | | | | (1) | |
| - Exceptional items | (12) | | | | | (18) | |

(1) A breakdown of provisions for liabilities and charges by business segment is provided in Note 13.

(2) Provisions for sundry penalties and other liabilities comprise mainly:

| | |
|---|---|
| - Risks of non-payment by certain customers, notably international customers | 65 |
| - Risks associated with various administrative controls | 77 |
| - Technical risks on work sites and reinsurance | 178 |
| | 320 |

(3) Provisions for other charges comprise mainly:

| | |
|---|---|
| Personnel costs | 28 |

(4) The line items for other liabilities and losses to completion on contracts include the following, for which Bouygues Construction has set aside provisions of €29 million:
- Tahiti Hospital: after negotiations that led to the signing of a memorandum of agreement with the client on 20 May 2003, certain liabilities have been removed and a partial write-back of provisions has been taken.
- Lötschberg Tunnel (Switzerland): start-up problems on one of the largest rail tunnels in Europe.
- Wola shopping centre in Poland: disagreement on acceptance of delivery, currently in arbitration.

(5) Unutilised write-backs: taken individually, the unutilised write-backs are not significant in amount, with the exception of one write-back on a participating interest and the write-back from provisions for losses to completion on the Tahiti contract mentioned above.

(6) Includes provisions on customer disputes, 93; other personnel disputes, 5; claims of sub-contractors, 62; other, 96.

- **Breakdown of net deferred tax assets or liabilities by business segment and origin**

| Segment | Net deferred tax asset/ liability 01/2003 | Change in scope of consolidation | Change in exchange rates | Movements in 2003 Income (+) | Movements in 2003 Expense (-) | Other | Net deferred tax asset/ liability 12/2003 |
|---|---|---|---|---|---|---|---|
| **A – Tax losses** | | | | | | | |
| Telecom | 693 | - | - | - | (157) | - | 536 |
| Media | 1 | - | - | - | (1) | - | - |
| Sub-total Telecom-Media | 694 | - | - | - | (158) | - | 536 |
| Services (Saur) | 12 | - | - | - | - | - | 12 |
| Construction | 1 | - | - | 1 | - | - | 2 |
| Bouygues SA and other | 46 | - | - | - | (46) | - | - |
| **Sub-total** | **753** | **-** | **-** | **1** | **(204)** | **-** | **550** |
| **B – Temporary differences** (1) | | | | | | | |
| Telecom | 45 | - | - | - | (8) | - | 37 |
| Media | (21) | - | - | 8 | (4) | 1 | (16) |
| Sub-total Telecom-Media | 24 | - | - | 8 | (12) | 1 | 21 |
| Services (Saur) | (3) | 8 | 1 | 4 | - | 2 | 12 |
| Construction | (42) | 2 | 3 | 26 | (5) | - | (16) |
| Bouygues SA and other | 25 | - | - | 29 | - | (29) | 25 |
| **Sub-total** | **4** | **10** | **4** | **67** | **(17)** | **(26)** | **42** |
| **Total** | **757** | **10** | **4** | **68** | **(221)** | **(26)** | (2) **592** |

(1) Arising from tax timing differences and consolidation restatements.

(2) Of which: Deferred tax asset = (3) 703
Deferred tax liability = (111)
592

(3) The deferred tax asset of 703 includes:
- Bouygues Telecom : 573, consisting of tax loss carryforwards (due mainly to deferred depreciation charges), recognition of which is dependent on earnings prospects as projected in the latest business plans presented to the board of directors (includes (166) write-back from net deferred tax asset in 2003).
- Bouygues SA : 54, arising from tax consolidation (temporary timing differences).

- **Breakdown of deferred tax assets by recovery period**

| | |
|---|---|
| - less than 2 years | 477 |
| - 3 to 5 years | 226 |
| - Total | 703 |

- **Present value**

Because the recovery period for most deferred tax assets, notably including those of Bouygues Telecom, remains less than 3 years, the value of the net deferred tax asset has not been discounted.

- **Deferred tax assets not booked**

Deferred tax assets not recognised on the balance sheet because recovery is deemed unlikely: 244, of which 116 originates in construction activity (from tax losses and temporary timing differences in consolidation).

## Note 7 FINANCIAL LIABILITIES 5,160

### A Financial liabilities by maturity

| | Up to 1 year 2004 | 1 to 2 years 2005 | 2 to 3 years 2006 | 3 to 4 years 2007 | 4 to 5 years 2008 | 5 to 6 years 2009 | 6 years and up 2010 + | Total 12/2003 |
|---|---|---|---|---|---|---|---|---|
| Bond issues | 299 | - | 927 | - | - | 1,000 | 1,250 | 3,476 |
| Bank loans | 861 | 627 | 47 | 16 | 12 | 11 | 59 | 1,633 |
| Other financial liabilities | 18 | 13 | 3 | 2 | 2 | 1 | 12 | 51 |
| **Total** | **1,178** | **640** | **977** | **18** | **14** | **1,012** | **1,321** | (1) **5,160** |
| Situation at 31/12/2002 | 724 | 917 | 756 | 1,200 | 58 | 18 | 1,152 | 4,825 |

(1) Includes liabilities relating to capitalised lease obligations:
- Media (TF1) 17
- Services (Saur) 13
- Construction 15
- Telecom 22
- Other subsidiaries 6

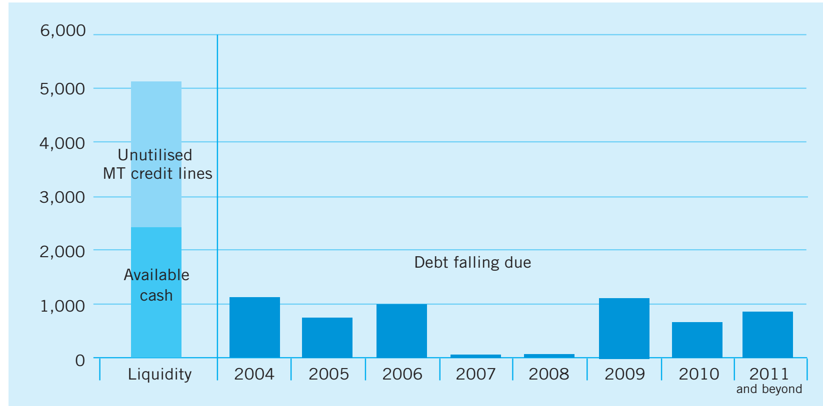
### B Lines of credit authorised/utilised

| Description | Lines authorised | | | | Lines utilised | | | |
|---|---|---|---|---|---|---|---|---|
| | Less than 1 year | 1 to 5 years | More than 5 years | Total | Less than 1 year | 1 to 5 years | More than 5 years | Total |
| Bond issues (primarily Bouygues SA) | 299 | 927 | 2,250 | (1) 3,476 | 299 | 927 | 2,250 | 3,476 |
| Bouygues Telecom syndicated loan taken out in 1997 | 427 | 589 | - | 1,016 | 427 | 589 | - | 1,016 |
| Other borrowings and liabilities to credit institutions | 545 | 2,752 | 105 | (1) 3,402 | 434 | 113 | 70 | (2) 617 |
| Sundry financial liabilities | 18 | 20 | 13 | 51 | 18 | 20 | 13 | (2) 51 |
| **Total** | **1,289** | **4,288** | **2,368** | **7,945** | **1,178** | **1,649** | **2,333** | **5,160** |

(1) Of which TF1, 1,401.
(2) Of which TF1, 110; Saur, 202.

### C Liquidity at 31 December 2003

At 31 December 2003 the Group had €2,374 million of available cash and €2,785 million of unutilised confirmed medium-term bank credit lines.




The Group is therefore not exposed to liquidity risk.
The bank facilities for which Bouygues has contracted have no financial covenants or trigger events. The same is true for those utilised by Bouygues subsidiaries, with the exception of the 1997 syndicated loan to Bouygues Telecom, which requires certain financial ratios to be met. At 31 December 2003 those ratios were met.

### D Financial liabilities by type of interest rate

Breakdown of financial liabilities on a gross basis, including all outstanding interest rate hedges at year-end.

| | 12/2003 | 12/2002 |
|---|---|---|
| Fixed rate (1) | 74% | 86% |
| Floating rate | 26% | 14% |

(1) Fixed rate debt due in more than one year.

## E Interest rate risk

At 31 December 2003, the breakdown of financial assets and liabilities by type of interest rate was as follows.

| | Floating rate | Fixed rate | Total |
|---|---|---|---|
| Financial liabilities | 1,755 | 3,405 | 5,160 |
| Financial assets | 2,374 | - | 2,374 |
| Net position before risk management | (619) | 3,405 | 2,786 |
| Interest rate hedges | (391) | 391 | - |
| Net position after risk management | (1,010) | 3,796 | 2,786 |
| Correction for cyclicality of certain business activities | 300 | | |
| Net position after hedging and correction | (710) | | |

An instantaneous rise of 1 percentage point in short-term interest rates would reduce the Group's financial charges by €7.1 million on a full-year basis.

## F Financial liabilities by currency

| | Euro | Pound sterling | Dollar US | CFA franc | Other | Total |
|---|---|---|---|---|---|---|
| **2003** | 5,038 | 1 | 49 | 57 | 15 | **5,160** |
| **2002** | 4,567 | 70 | 69 | 104 | 15 | **4,825** |

A breakdown of financial liabilities by business segment is given in Note 13.

## G Security interests granted as collateral for financial liabilities

| | Total 12/2003 | Telecom | Media | Services | Construction | Bouygues SA and other | Maturity | | | Total 12/2002 |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | less than 1 year | 1 to 5 years | more than 5 years | |
| Mortgages of land and buildings, pledges of equipment | - | - | - | - | - | - | - | - | - | 61 |
| Pledges of securities and subordinated loans (1) | 1,034 | - | - | - | 18 | 1,016 | - | 1,034 | - | 3,596 |
| **Total security interests** | **1,034** | **-** | **-** | **-** | **18** | **1,016** | **-** | **1,034** | **-** | **3,657** |

(1) 2003: the pledge of Bouygues Telecom securities (contracted by Bouygues and SFPG) is limited to the amount of the syndicated loan not repaid as of 31 December 2003.

See also note 14 on off-balance sheet commitments.

## Note 8 OTHER NON-FINANCIAL LIABILITIES AND ACCRUED INCOME

| | 12/2003 | 12/2002 |
|---|---|---|
| Tax and employee-related liabilities | 1,896 | 1,903 |
| Sundry liabilities<br>Income tax payable, amounts payable to suppliers of fixed assets, advances from subsidiaries, non-consolidated affiliates and other partners | 1,870 | 2,065 |
| Prepaid income and similar (1) | 1,892 | 1,662 |
| **Total** | **5,658** | **5,630** |
| (1) Of which prepaid income | 1,891 | 1,655 |

## Note 9 NET FINANCIAL ITEMS

| | 2003 | 2002 |
|---|---|---|
| Income from non-consolidated affiliates : (paving materials companies and others) | 16 | 11 |
| Net interest and similar expenses and expense transfers, including €(9) million of commissions and lease prepayments (mainly relating to Bouygues Immobilier) | (270) | (292) |
| Net foreign exchange gains or losses | 7 | (40) |
| Net charge to or write-back of provisions against financial items | (3) | (8) |
| Net gain or loss on disposals of short-term investment securities and income from other marketable securities and long-term loans | 34 | 42 |
| Write-off of shareholder advances to non-consolidated affiliates and others | (3) | (4) |
| **Net financial items** | **(219)** | **(291)** |

The breakdown of net financial items by business segment is given in Note 13.

## Note 10 HEDGING INSTRUMENTS

For information, the following tables show the notional amounts outstanding at 31 December 2003 for each type of instrument used, broken down by residual maturity for interest rate hedges and by currency for exchange rate hedges.

### Consolidated companies

**1) Interest rate hedges**

**Breakdown by maturity**

| | Outstanding at 31 December 2003 | | | | Outstanding at |
|---|---|---|---|---|---|
| **Maturity** | **2004** | **2005 to 2008** | **Beyond** | **Total** | **31/12/2002** |
| **Interest rate swaps** | | | | | |
| on financial assets | 896 | 21 | - | (1) 917 | 315 |
| on financial liabilities | 1,229 | 946 | 557 | (2) 2,732 | 2,754 |
| **Forward Rate Agreements** | | | | | |
| on financial assets | - | - | - | - | - |
| on financial liabilities | 50 | - | - | 50 | - |
| **Caps/floors** | | | | | |
| on financial assets | - | - | - | - | - |
| on financial liabilities | 1 | 396 | 16 | 413 | 535 |

(1) Of which pay fixed rate: 592.
(2) Of which pay fixed rate: 2,175.

**Breakdown by business segment**

| | Telecom | Media | Subtotal Telecom Media | Services | Construction | Bouygues SA and other activities | Totaux 12/2003 | Totaux 12/2002 |
|---|---|---|---|---|---|---|---|---|
| **Interest rate swaps** | | | | | | | | |
| on financial assets | - | - | - | - | 325 | 592 | 917 | 315 |
| on financial liabilities | 1,627 | 539 | 2,166 | 180 | 61 | 325 | 2,732 | 2,754 |
| **Forward Rate Agreements** | | | | | | | | |
| on financial assets | - | - | - | - | - | - | - | - |
| on financial liabilities | 50 | - | 50 | - | - | - | 50 | - |
| **Caps/floors** | | | | | | | | |
| on financial assets | - | - | - | - | - | - | - | - |
| on financial liabilities | 200 | 140 | 340 | - | 73 | - | 413 | 535 |

For renewable interest rate hedges, amounts are shown in the column corresponding to the farthest maturity.

### 2) Exchange rate hedges

**Breakdown by currency**

| Currency | Outstanding at 31 December 2003 (equivalent in € million) USD | GBP | CHF | HKD | Other | Total | Outstanding at 12/2002 |
|---|---|---|---|---|---|---|---|
| **Forward purchases and sales** | | | | | | | |
| Forward purchases | 71 | - | 24 | 2 | 19 | 116 | 75 |
| Forward sales | 114 | 30 | 13 | 29 | 26 | 212 | 361 |
| **Currency swaps** | **49** | **137** | **51** | **35** | **21** | **293** | **231** |
| Currency options | 42 | - | - | - | - | 42 | 23 |

**Breakdown by business segment**

| | Telecom | Media | Sub-total Telecom Media | Services | Construction | Bouygues SA and other activities | Total 12/2003 | Total 12/2002 |
|---|---|---|---|---|---|---|---|---|
| **Forward purchases and sales** | | | | | | | | |
| Forward purchases | - | 71 | 71 | - | 43 | 2 | 116 | 75 |
| Forward sales | - | 26 | 26 | - | 182 | 4 | 212 | 361 |
| **Currency swaps** | **-** | **-** | | **97** | **39** | **157** | **293** | **231** |
| Currency options | - | 11 | 11 | - | 21 | 10 | 42 | 23 |

- **Market value of hedging instruments**

Because derivative financial instruments are used by the Group only for hedging purposes, their fair value is not recorded on the balance sheet.

At 31 December 2003, the market value (net present value) of the portfolio of hedging instruments was €(5) million; see Note 2.2.4 for accounting policies relating to hedging instruments. This amount consists mainly of the net present value of interest-rate swaps to hedge the Group's debt and the net present value of forward transactions to hedge the currency risk on commercial transactions.

This market value breaks down by the type of hedge as follows:

- Transactions forming part of a fair value hedge: €4 million

- Transactions forming part of a cash flow hedge: €(9) million.

In the event of an upward (downward) shift of the yield curve by 1.00 percentage point, the market value of the portfolio of hedging instruments would be €(25) million (€11 million).

In the event of a depreciation of the euro by one centime against all other currencies, the market value of the portfolio would be €(9) million.

Market values of the instruments in the portfolio have been calculated by the group or obtained from the bank counterparties to the contracts.

## Note 11 EXCEPTIONAL ITEMS

| | Charges 2003 | Charges 2002 | Write-backs 2003 | Write-backs 2002 | 2003 | 2002 |
|---|---|---|---|---|---|---|
| **Net gains on disposals of fixed assets** | | | | | | |
| Sundry disposals net of recoveries | | | | | 64 | (1) 433 |
| **Net charges to exceptional provisions** | | | | | **(61)** | **(14)** |
| Additional provisions on acquisition goodwill and other intangibles | (18) | (32) | | | | |
| Other exceptional provisions and sundry items | (115) | (103) | 72 | 121 | | |
| | **(133)** | **(135)** | **72** | **121** | | |
| **Net exceptional income or expense on management operations** | | | | | | |
| Exceptional income from recovery of bad debts, insurance claims paid and sundry | | | | | 20 | 26 |
| Exceptional charges for litigation, taxes and duties, uninsured losses, fines, bad debts and restructuring | | | | | (39) | (64) |
| **Sundry exceptional items** | | | | | **2** | **(13)** |
| **Net exceptional items** | | | | | **(14)** | **368** |

(1) Includes €419 million pre-tax gain on disposal of Bouygues Offshore.

The breakdown of exceptional items by business segment is given in Note 13.

## Note 12 INCOME TAX

- **Breakdown of net tax charge**

| | 2003 | | | 2002 |
|---|---|---|---|---|
| | France | Other countries | Total | Total |
| Tax payable | (172) | (51) | (223) | (279) |
| Net deferred tax liability | 10 | 1 | 11 | (11) |
| Net deferred tax asset | (173) | 9 | (164) | (22) |
| Tax on dividend distributions | (2) | (2) | (4) | (4) |
| **Total** | **(337)** | **(43)** | **(380)** | **(316)** |

| | | |
|---|---|---|
| included above: | | |
| Bouygues Telecom deferred tax asset (write-back) | (166) | (26) |

The breakdown by business segment is given in Note 13.

- **Reconciliation of theoretical tax charge with total tax charge on the income statement**

The difference between the current statutory tax rate in France and the effective tax rate computed from the income statement for the period can be broken down as follows.

| | 2003 | 2002 |
|---|---|---|
| Statutory tax rate in France | 35.43% | 35.43% |
| Creation/utilisation of loss carryforwards | 3.31% | 5.86% |
| Effect of permanent differences | (1.45%) | 3.63% |
| Taxes other than on income: lump-sum taxes, taxes on distributions, tax consolidation, differences in tax rates: term capital gains, foreign taxes | 0.49% | (17.31%) |
| **Effective tax rate (1)** | **37.78%** | **27.61%** |

(1) The presentation of an effective tax rate greater than the statutory tax rate is due primarily to deferred tax assets of the year that were not booked against losses (or written back) because recovery was deemed not probable.

## Note 13 INFORMATION BY BUSINESS SEGMENT

### A Breakdown of consolidated sales by business segment and geographic area

Sales from production of fully consolidated companies include book revenue from contracts and sales of goods and services.

- **Segment**

| | 2003 | | | | 2002 | |
|---|---|---|---|---|---|---|
| | France | International | Total | % | Total | % |
| Telecom | 3,271 | - | 3,271 | - | 2,932 | - |
| Media | 2,473 | 254 | 2,727 | - | 2,608 | - |
| **Sub-total Telecom-Media** | **5,744** | **254** | **5,998** | **28** | **5,540** | **25** |
| Services (1) | 1,718 | 730 | 2,448 | 11 | 2,514 | 11 |
| Construction | 8,242 | 5,116 | 13,358 | 61 | 14,170 | 64 |
| Other (2) | 8 | 10 | 18 | - | 23 | - |
| **Consolidated sales** | **15,712** | **6,110** | **21,822** | **100** | **22,247** | **100** |
| | | | | o/w international sales | 7,195 | |
| % change 2003/2002 | + 4% | (15%) | (2%) | | | |

(1) Of which tax surcharges and user fees billed for local authorities: 859 886

(2) Bouygues parent company and various subsidiaries (Infomobile and others).

- **Geographic area**

| | | | | |
|---|---|---|---|---|
| France | 15,712 | 72.0 | 15,052 | 67.6 |
| Other Western Europe | 2,167 | 9.9 | 2,455 | 11.0 |
| Eastern Europe | 653 | 3.0 | 814 | 3.7 |
| Africa | 1,214 | 5.6 | 1,574 | 7.1 |
| Middle East | 25 | 0.1 | 44 | 0.2 |
| United States and Canada | 1,476 | 6.8 | 1,720 | 7.7 |
| Central and South America | 150 | 0.7 | 128 | 0.6 |
| Asia-Pacific | 425 | 1.9 | 460 | 2.1 |
| **Total** | **21,822** | **100** | **22,247** | **100** |

- **Percentage breakdown of consolidated sales, by type of contract, France vs. International**

| | 2003 | | | 2002 | | |
|---|---|---|---|---|---|---|
| | France | International | Combined | France | International | Combined |
| Public sector (3) | 28 | 44 | 33 | 27 | 43 | 32 |
| Private sector | 72 | 56 | 67 | 73 | 57 | 68 |

(3) Sales invoiced directly to government agencies and local authorities (mainly construction and maintenance contracts) in France and elsewhere.

## B Breakdown of net intangible and tangible fixed assets by business segment and geographic area

| (€ million) | Telecom | Media | Sub-total Telecom-Media | Services | Construction | Bouygues and other activities (1) | Total 12/2003 | Total 12/2002 |
|---|---|---|---|---|---|---|---|---|
| France and Overseas departments | 5,559 | 1,591 | 7,150 | 1,050 | 1,492 | 60 | 9,752 | 9,162 |
| Other Europe | - | - | - | (2) 33 | 287 | 23 | 343 | 1,092 |
| Africa | - | - | - | 294 | 143 | - | 437 | 577 |
| Asia-Pacific | - | - | - | - | 38 | - | 38 | 26 |
| Americas | - | - | - | - | 371 | - | 371 | 414 |
| **Total 2003** | **5,559** | **1,591** | **7,150** | **1,377** | **2,331** | **83** | **10,941** | **-** |
| % of total 2003 | 50.8% | 14.5% | 65.3% | 12.6% | 21.3% | 0.8% | 100% | - |
| **Total 2002** | **4,992** | **1,611** | **6,603** | **2,174** | **2,388** | **106** | **-** | **11,271** |
| % of total 2002 | 44.3% | 14.3% | 58.6% | 19.3% | 21.2% | 0.9% | - | 100% |

(1) Other activities: various subsidiaries of Bouygues.

(2) Was 732 in 2002; reduction due mainly to disposal of South East Water Services in UK.

## C Other information by business segment

| (€ million) | Telecom | Media | Sub-total Telecom-Media | Services | Construction | Bouygues and other activities (1) | Total 12/2003 | Total 12/2002 |
|---|---|---|---|---|---|---|---|---|
| **Balance sheet** | | | | | | | | |
| Fixed assets (net) | 5,576 | 1,720 | 7,296 | 1,557 | 3,015 | 115 | 11,983 | 12,357 |
| Provisions for liabilities and charges | 36 | 137 | 173 | 452 | 1,144 | 127 | 1,896 | 1,882 |
| Financial liabilities | 1,233 | 610 | 1,843 | 202 | 255 | 2,860 | 5,160 | 4,825 |
| Net debt (a) | 1,031 | 426 | 1,457 | (73) | (1,689) | 3,091 | 2,786 | 3,201 |
| **Income statement** | | | | | | | | |
| Operating income (2) | 460 | 332 | 792 | 88 | 379 | (21) | 1,238 | 1,058 |
| Operating depreciation and amortisation | 543 | 118 | 661 | 103 | 401 | 11 | 1,176 | 1,148 |
| Operating provisions | 119 | 130 | 249 | 135 | 487 | 10 | 881 | 868 |
| Net financial items | (143) | (15) | (158) | (21) | 19 | (59) | (219) | (291) |
| Earnings before tax and exceptional items | 317 | 317 | 634 | 67 | 398 | (80) | 1,019 | 767 |
| Net exceptional items | 47 | (7) | 40 | (25) | (18) | (11) | (14) | 368 |
| Share in earnings of equity affiliates | 0 | 0 | 0 | 2 | 41 | 0 | 43 | 52 |
| Income tax (3) | (166) | (114) | (280) | (7) | (134) | 41 | (380) | (316) |
| **Cash flow statement** | | | | | | | | |
| Operating cash flow | 866 | 318 | 1,184 | 177 | 714 | (2) | 2,073 | 1,713 |
| Working capital requirement | 20 | 19 | 39 | (92) | 345 | (53) | 239 | 438 |
| Operating investments (net) (4) | 381 | 93 | 474 | 121 | 345 | (10) | 930 | 1,845 |
| Financial investments (net) (4) | 11 | 15 | 26 | (427) | 58 | 986 | 643 | 1,022 |
| **Ebitda (5)** | **1,006** | **455** | **1,461** | **190** | **770** | **(6)** | **2,415** | **2,260** |
| **Free cash flow (6)** | **489** | **253** | **742** | **(48)** | **680** | **(11)** | **1,363** | **921** |

(1) Other activities: various subsidiaries of Bouygues SA.
(a) Figures in parentheses indicate positive cash position.
(2) An itemised breakdown of operating results is given in section D below.
(3) Net current and deferred tax expense.
(4) By business segment of origin of investments made.
(5) Earnings before interest, tax, depreciation, amortisation and provisions on tangible and intangible fixed assets.
(6) Operating cash flow plus working capital requirement less net operating investments.

## D Income statement items by destination segment

As a supplement to the consolidated income statement, a breakdown showing intermediate balances by business segment is given below.

| | Telecom | Media | Sub-total Telecom-Media | Services | Construction | Bouygues and other activities | Total Group 12/2003 | Total Group 12/2002 |
|---|---|---|---|---|---|---|---|---|
| **Consolidated sales** | **3,271** | **2,727** | **5,998** | **2,448** | **13,358** | **18** | **21,822** | **22,247** |
| Cost of sales | (2,156) | (1,990) | (4,146) | (1,999) | (11,621) | (5) | (17,771) | (18,272) |
| **Gross profit** | **1,115** | **737** | **1,852** | **449** | **1,737** | **13** | **4,051** | **3,975** |
| Gross margin (%) | 34.1% | 27.0% | 30.9% | 18.3% | 13.0% | | 18.6% | 17.9% |
| Research and development costs | (20) | (20) | (40) | (5) | (39) | (1) | (1) (85) | (1) (319) |
| Sales expenses | (174) | (149) | (323) | (33) | (319) | (2) | (677) | (671) |
| Administrative expenses | (461) | (236) | (697) | (323) | (1,000) | (31) | (2,051) | (1,927) |
| **Operating income** | **460** | **332** | **792** | **88** | **379** | **(21)** | **1,238** | **1,058** |
| EBIT margin (%) | | | | | | | 5.7% | 4.8% |
| Net financial items | See breakdown in section C | | | | | | (219) | (291) |
| **Earnings before tax and exceptional items** | **See breakdown in section C** | | | | | | **1,019** | **767** |

(1) For 2003, operating IT costs have been reclassified under Cost of sales; R&D costs in 2002 and 2003 are therefore not comparable.

- Gross profit of €4,051 million represents 18.6% of consolidated sales.
- Cost of research and development: this item comprises mainly the cost of laboratories, research departments and the scientific division (excluding contract estimating costs).
- Sales expenses: this item includes the cost of the sales and marketing divisions and contract estimating costs. In the roadworks segment, contract estimating costs are included in cost of sales or in administrative expenses and are not separately identified.

## E TPS: condensed consolidated financial statements at 31 December 2003

TPS is proportionally consolidated in 2003 at 66%.
Condensed consolidated financial statements at 100% are presented below.

### Consolidated balance sheet (100%)

| Assets (net) | 31/12/2003 |
|---|---|
| Intangible fixed assets | 7 |
| Tangible fixed assets | 93 |
| Long-term investments | - |
| **Fixed assets** | **100** |
| Programmes and broadcasting rights | 78 |
| **Other current assets / Prepaid expenses and similar** | **167** |
| **Total assets** | **345** |

| Equity and liabilities | 31/12/2003 |
|---|---|
| Capital and reserves | (327) |
| Earnings for the year | (9) |
| **Shareholders' equity** | **(336)** |
| **Provisions for liabilities and charges** | **55** |
| **Financial liabilities** | **229** |
| **Non-financial liabilities / Accrued income and similar** | **397** |
| **Total equity and liabilities** | **345** |

### Consolidated income statement

| | 2003 | |
|---|---|---|
| | 100% | Bouygues share (66%) (1) |
| **Sales** | 538 | 355 |
| Other operating revenue | - | - |
| Operating expenses | (534) | (352) |
| **Operating income** | 4 | 3 |
| **Net financial items** | (9) | (6) |
| **Earnings before tax and exceptional items** | (5) | (3) |
| **Net exceptional items** | (4) | (3) |
| **Net earnings of the consolidated entity** | **(9)** | **(6)** |

(1) Before elimination of Bouygues intra-group transactions.

# Note 14 OFF-BALANCE SHEET

## A Reciprocal commitments

| | Total 12/2003 | Telecom | Media | Services | Construction | Bouygues and other activities | Maturity less than 1 years | Maturity 1 to 5 years | Maturity more than 5 years | Maturity Total | Total 12/2002 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Commitments given** | **2,781** | **689** | **1,548** | **69** | **434** | **41** | **1,013** | **1,458** | **310** | **2,781** | **2,969** |
| TF1 (rights and retransmissions) | 1,507 | - | 1,507 | - | - | - | 647 | 846 | 14 | 1,507 | 1,692 |
| *Broadcasting and retransmission rights for sporting events* | *(a) 427* | - | *427* | - | - | - | *167* | *260* | - | *427* | *518* |
| *Broadcasting and retransmission rights for films and programmes (1)* | *(a) 849* | - | *849* | - | - | - | *396* | *451* | *2* | *849* | *785* |
| *Image transport* | *231* | - | *231* | - | - | - | *84* | *135* | *12* | *231* | *389* |
| Finance leases (2) | 161 | - | - | 68 | 93 | - | 51 | 92 | 18 | 161 | 169 |
| Simple leases (3) | 843 | (4) 689 | 41 | 1 | 112 | - | 151 | 421 | 271 | 843 | 764 |
| Irrevocable purchase obligations | 270 | - | - | - | (5) 229 | 41 | 164 | 99 | 7 | 270 | 344 |
| **Commitments received** | **2,781** | **689** | **1,548** | **69** | **434** | **41** | **1,013** | **1,458** | **310** | **2,781** | **2,969** |
| TF1 (rights and retransmissions) | 1,507 | - | 1,507 | - | - | - | 647 | 846 | 14 | 1,507 | 1,692 |
| *Broadcasting and retransmission rights for sporting events* | *(a) 427* | - | *427* | - | - | - | *167* | *260* | - | *427* | *518* |
| *Broadcasting and retransmission rights for films and programmes (1)* | *(a) 849* | - | *849* | - | - | - | *396* | *451* | *2* | *849* | *785* |
| *Image transport* | *231* | - | *231* | - | - | - | *84* | *135* | *12* | *231* | *389* |
| Finance leases (2) | 161 | - | - | 68 | 93 | - | 51 | 92 | 18 | 161 | 169 |
| Simple leases (3) | 843 | (4) 689 | 41 | 1 | 112 | - | 151 | 421 | 271 | 843 | 764 |
| Irrevocable purchase obligations | 270 | - | - | - | (5) 229 | 41 | 164 | 99 | 7 | 270 | 344 |
| **Balance** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |

(a) Includes €39.1 million in CHF and €114.4 million in USD.

(1) Acquisitions of broadcasting rights and co-productions that have given rise to a firm contractual commitment of the group prior to the end of the period, but for which technical acceptance of the copy had not occurred by that date, are recorded in Commitments given and received.

(2) Future payments on long-term lease contracts (for equipment, vehicles, etc.) without option to buy (maintenance services included).

(3) Minimum future payments remaining due out to the normal contract renewal date (or the earliest possible termination date) on straight leases taken in the ordinary course of business (land, buildings, equipment, etc.).

(4) Bouygues Telecom: commitments given in the course of business concerning mainly commercial leases for buildings and sites to be used for network operations (includes lease payments of 533, of which 153 for property leases).

(5) Bouygues Immobilier: firm commitments under conditions relating to acquisition of packages of land.

## B Sundry commitments

| | Total 12/2003 | Telecom | Media | Services | Construction | Bouygues and other activities | Maturity less than 1 years | Maturity 1 to 5 years | Maturity more than 5 years | Maturity Total | Total 12/2002 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Commitments given** | | | | | | | | | | | |
| Other contractual obligations or commercial commitments given (pledges, guarantees etc.) (1) | 486 | 69 | 77 | 133 | 203 | 4 | 186 | 205 | 95 | 486 | 423 |
| **Commitments received** | | | | | | | | | | | |
| Other contractual obligations or commercial commitments given (pledges, guarantees etc.) | 188 | 27 | 44 | 56 | 61 | - | 99 | 74 | 15 | 188 | 129 |
| **Balance** | **298** | **42** | **33** | **77** | **142** | **4** | **87** | **131** | **80** | **298** | **294** |

(1) In the normal course of business, the group gives ten-year warranties and performance guarantees. No quantitative value is estimated for these obligations unless it appears that they might give rise to payments by the group, in which case a liability provision is booked.

## C Other commitments

| | Total 12/2003 | Telecom | Media | Services | Construction | Bouygues and other activities | Maturity less than 1 years | Maturity 1 to 5 years | Maturity more than 5 years | Maturity Total | Total 12/2002 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Commitments given** | | | | | | | | | | | |
| Securitisation: subordinated deposits | 46 | 46 | - | - | - | - | - | 46 | - | 46 | 29 |

## D Complex commitments (securitisation)

- **Securitisation and sale of receivables**

Programmes to cede receivables via subrogation to a financial institution:

| | Bouygues Telecom | |
|---|---|---|
| Receivables ceded (1) | Amounts due from contract customers | |
| Programme amount | 200 | |
| Term of contract | Renewable from year to year for 5 years | |
| Contract start date | July 2002 | |
| Beneficiary | Société Générale Bank Nederland VN without recourse | |
| | **12/2003** | **12/2002** |
| Amount of receivables ceded (1) | (4) 237 | 112 |
| Associated reduction in net debt (2) | 19 | 29 |
| Subordinated deposit established | (3) 67 | 61 |

(1) New receivables only.
(2) After deduction of customer payments received before 31 December.
(3) Of which commitment given: 46.
(4) Of which amount of future receivables: 107.

| | Total 12/2003 | Telecom | Media | Services | Construction | Bouygues and other activities | Maturity less than 1 years | Maturity 1 to 5 years | Maturity more than 5 years | Maturity Total | Total 12/2002 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Total commitments given** | **3,313** | **804** | **1,625** | **202** | **637** | **45** | **1,199** | **1,709** | **405** | **3,313** | **3,421** |
| **Total commitments received** | **2,969** | **716** | **1,592** | **125** | **495** | **41** | **1,112** | **1,532** | **325** | **2,969** | **3,098** |

The above presentation of commitments omits no off-balance sheet commitments that are significant according to current accounting standards.

## Note 15 CHANGE IN NET DEBT

### A - Main components of variation in net debt

| | 12/2002 | Flow of funds during 2003 | 12/2003 |
|---|---|---|---|
| Cash and equivalents | 1,906 | 710 | 2,616 |
| Bank overdrafts | (282) | 40 | (242) |
| **Sub-total** | **1,624** | (1) **750** | **2,374** |
| Financial liabilities | (4,825) | (335) | (5,160) |
| Net debt | (3,201) | 415 | (2,786) |

(1) Cash flow from 2003 cash flow statement (net cash flow +non-monetary flows).

### B - Main transactions affecting net debt during 2003

| | |
|---|---|
| **Net debt at 31 December 2002** | **(3,201)** |
| Purchase of Bouygues Telecom shares held by E.ON (cash outlay for securities and participating loans) | (1,086) |
| Sale of South East Water (cash proceeds + deconsolidation) | 607 |
| Acquisition of Bouygues shares for cancellation by capital decrease | (120) |
| Other acquisitions, net | (124) |
| Operating cash flow and other | 1,138 |
| **Net debt at 31 December 2003** | **(2,786)** |

## Note 16 STAFFING AND REMUNERATION OF SENIOR EXECUTIVES AND DIRECTORS

### • Average number of employees during the year

| France | 2003 | 2002 |
|---|---|---|
| Managerial | 16,397 | 16,276 |
| Supervisory, technical and clerical | 23,071 | 23,439 |
| Site workers | 27,266 | 27,638 |
| **Sub-total France** | **66,734** | **67,353** |
| Expatriates and local labour | 61,189 | 60,925 |
| **Total** | **127,923** | **128,278** |

### • Remuneration of senior executives and directors

Senior executives (chief executive officer and three deputy chief executive officers) received a total of €9,284,474 in direct and indirect emoluments of all kinds from French and foreign companies, including €4,084,103 in base pay, €4,939,625 in bonuses paid in early 2004 on the basis of performance in 2003, and €260,746 in directors' fees.

Attendance fees paid to voting and non-voting directors amounted to €658,238.

## Note 17 AUDITORS' FEES

Fees paid to auditors and members of their networks in charge of auditing the consolidated accounts of Bouygues SA and its fully consolidated subsidiaries and included in the 2003 consolidated income statement.

| € thousand | Mazars & Guérard | | | Ernst & Young (1) | | Other audit firms (2) | | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Fee 2003 | % | Fee 2002 | Fee 2003 | % | Fee 2003 | % | Fee 2002 | Total 2003 | Total 2002 |
| **A - Audit services** | | | | | | | | | | |
| Statutory audit certification and examination of company and consolidated accounts | 3,391 | 86 | 2,650 | 1,560 | 68 | 6,620 | 89 | 7,508 | 11,571 | 10,158 |
| Related tasks | 300 | 8 | 197 | 148 | 6 | 225 | 3 | 236 | 673 | 433 |
| **Sub-total** | **3,691** | **94** | **2,847** | **1,708** | **75** | **6,845** | **92** | **7,744** | **12,244** | **10,591** |
| **B - Other services** | | | | | | | | | | |
| Legal, tax, social | 75 | 2 | 124 | 4 | - | 259 | 3 | 387 | 338 | 511 |
| Information technologies | - | - | - | 4 | - | 104 | - | 39 | 108 | 39 |
| Internal audit | 13 | - | 36 | - | - | 10 | - | 97 | 23 | 133 |
| Other | 143 | 5 | 106 | 575 | 25 | 246 | 4 | 180 | 964 | 286 |
| **Sub-total** | **231** | **6** | **266** | **583** | **25** | **619** | **7** | **703** | **1,433** | **969** |
| **Total** | **3,922** | **100** | **3,113** | **2,291** | **100** | **7,464** | **100** | **8,447** | **13,677** | **11,560** |

(1) In 2003 Ernst and Young became Bouygues's statutory auditor under an appointment approved by the AGM of 24 April 2003.
(2) To provide relevant aggregate information, fees paid to other audit firms are also shown in this table.

## Note 18 LIST OF PRINCIPAL GROUP COMPANIES AT 31 DEC. 2003

| Company | Location | Country | % interest 2003 | % interest 2002 | % direct and indirect control (1) 2003 | % direct and indirect control (1) 2002 |
|---|---|---|---|---|---|---|
| **A - TELECOM - MEDIA** | | | | | | |
| **1 . Telecommunications** | | | | | | |
| **Full consolidation** | | | | | | |
| BDT SA | St-Quentin-en-Yvelines | France | Merged into Bouygues Tel | 79.08 | | |
| Bouygues Telecom SA and subsidiaries | Boulogne-Billancourt | France | 83.05 | 67.13 | | |
| **2 . Media** | | | | | | |
| **TF1 Group** | | | | | | |
| **Full consolidation** | | | | | | |
| Télévision Française 1 SA | Paris | France | 41.36 | 41.57 | | |
| Ciby Droits Audiovisuels SA | Paris | France | 41.36 | 41.57 | 100.00 | 100.00 |
| La Chaîne Info (LCI) SCS | Paris | France | 41.36 | 41.57 | 100.00 | 100.00 |
| Les Films Ariane SA | Boulogne-Billancourt | France | 41.36 | 41.57 | 100.00 | 100.00 |
| Protécrea SA | Boulogne-Billancourt | France | 41.36 | 41.57 | 100.00 | 100.00 |
| Téléshopping SA | Boulogne-Billancourt | France | 41.36 | 41.57 | 100.00 | 100.00 |
| TF1 International SA | Boulogne-Billancourt | France | 41.36 | 41.57 | 100.00 | 100.00 |
| TF1 Publicité SA | Boulogne-Billancourt | France | 41.36 | 41.57 | 100.00 | 100.00 |
| TF1 Vidéo SA | Boulogne-Billancourt | France | 41.36 | 41.57 | 100.00 | 100.00 |
| Une Musique SA | Boulogne-Billancourt | France | 41.36 | 41.57 | 100.00 | 100.00 |
| E-TF1 | Boulogne-Billancourt | France | 41.36 | 41.57 | 100.00 | 100.00 |
| Eurosport and subsidiaries | Boulogne-Billancourt | France | 41.36 | 41.57 | 100.00 | 100.00 |
| **Proportional consolidation** | | | | | | |
| Film par Film SA | Paris | France | Sold | 20.78 | | 50.00 |
| Télévision Par Satellite (TPS) SNC | Issy-les-Moulineaux | France | 27.30 | 27.44 | 66.00 | 66.00 |
| **Equity method** | | | | | | |
| Publications Metro France | Paris | France | 14.19 | | 34.30 | |
| **B - SERVICES** | | | | | | |
| **Utilities management** | | | | | | |
| **Saur Group** | | | | | | |
| **Full consolidation** | | | | | | |
| Saur SA | St-Quentin-en-Yvelines | France | 100.00 | 100.00 | | |
| Saur International SA | St-Quentin-en-Yvelines | France | 100.00 | 100.00 | | |

(1) If % control is different from % interest.

| Company | Location | Country | % interest 2003 | % interest 2002 | % direct and indirect control (1) 2003 | % direct and indirect control (1) 2002 |
|---|---|---|---|---|---|---|
| Saur France SA (formerly Cise SNC) | St-Quentin-en-Yvelines | France | 100.00 | 100.00 | | |
| Cise Réunion SA | St-Denis-de-la-Réunion | France | 99.94 | 99.94 | | |
| Coved SA | Guyancourt | France | 100.00 | 100.00 | | |
| Stereau SA | Louveciennes | France | 99.99 | 99.99 | | |
| **FOREIGN** | | | | | | |
| Compagnie Ivoirienne d'Électricité | Abidjan | Côte d'Ivoire | 70.46 | 70.46 | | |
| Gestagua | Madrid | Spain | 100.00 | 100.00 | | |
| Saur UK Ltd and subsidiaries (2) | Camberley | UK | 100.00 | 100.00 | | |
| Sénégalaise Des Eaux | Dakar | Senegal | 62.83 | 62.83 | | |
| Saur Neptun Gdansk | Gdansk | Poland | 51.00 | 51.00 | | |
| Sodeci | Abidjan | Côte d'Ivoire | 48.87 | 48.86 | | |
| Crea | Milan | Italy | 100.00 | 100.00 | | |
| **Proportional consolidation** | | | | | | |
| Énergie du Mali | Bamako | Mali | 39.00 | 39.00 | | |
| **Equity method** | | | | | | |
| Obras Sanitarias Mendoza | Mendoza | Argentina | 32.08 | 32.08 | | |
| **C - CONSTRUCTION** | | | | | | |
| **1 . Bouygues Construction Group** | | | | | | |
| **Full consolidation** | | | | | | |
| Bouygues Construction SA | St-Quentin-en-Yvelines | France | 99.96 | 99.96 | | |
| **1.0 Bouygues Bâtiment** | | | | | | |
| Bouygues Bâtiment SA | St-Quentin-en-Yvelines | France | Split up | 99.96 | | |
| Bouygues Bâtiment Ile-de-France SA | St-Quentin-en-Yvelines | France | 99.96 | | | |
| Bouygues Bâtiment International SA | St-Quentin-en-Yvelines | France | 99.96 | | | |
| **Bâtiment France subsidiaries** | | | | | | |
| Brézillon SA | Noyon | France | 98.96 | 98.81 | | |
| O.F. Équipement (ex. Olin-Lanctuit SA) | Courbevoie | France | Cession | 99.80 | | |
| O.F. Construction (ex. SB Ballestrero SA) | Vaux-le-Pénil | France | Cession | 99.81 | | |
| **Entreprises France Europe subsidiaries** | | | | | | |
| DV Construction SA | Bordeaux | France | 99.96 | 99.96 | | |

(1) If % control is different from % interest.
(2) South East Water Services in 2003.

| Company | Location | Country | % interest 2003 | % interest 2002 | % direct and indirect control (1) 2003 | % direct and indirect control (1) 2002 |
|---|---|---|---|---|---|---|
| GTB Bouyer Duchemin SA | Nantes | France | 99.96 | 99.96 | | |
| GFC SA | Bron | France | 99.96 | 99.96 | | |
| Norpac SA | Villeneuve-d'Ascq | France | 99.96 | 99.96 | | |
| Pertuy GTFC SA | Maxeville | France | 99.96 | 99.96 | | |
| Quille SA | Rouen | France | 99.96 | 99.96 | | |
| FOREIGN | | | | | | |
| Bouygues UK Ltd and subsidiaires | London | UK | 99.96 | 99.96 | | |
| Losinger Construction SA | Bern | Switzerland | 99.96 | 99.96 | | |
| **Bâtiment International subsidiaries** | | | | | | |
| Rinaldi Structal SA and subsidiaries | Colmar | France | Sold | 99.96 | | |
| FOREIGN | | | | | | |
| Bouygues Hungaria | Budapest | Hungary | 99.96 | 99.96 | | |
| Bymaro | Casablanca | Morocco | 99.94 | 99.94 | | |
| Bouygues Polska | Warsaw | Poland | 99.96 | 99.96 | | |
| **1.1 Bouygues TP** | | | | | | |
| Bouygues TP SA | St-Quentin-en-Yvelines | France | 99.96 | 99.96 | | |
| FOREIGN | | | | | | |
| Losinger Sion | Bern | Switzerland | 99.63 | 99.63 | | |
| Prader AG | Zurich | Switzerland | 99.84 | 99.84 | | |
| **1.2 Other Bouygues Construction subsidiaries** | | | | | | |
| DTP Terrassement SNC | St-Quentin-en-Yvelines | France | 99.96 | 99.96 | | |
| Intrafor SA | Montigny-le-Bretonneux | France | 99.87 | 99.87 | | |
| FOREIGN | | | | | | |
| Acieroïd SA and subsidiaries (formerly Acieroïd Espagne) | L'Hospitalet de Llobregat | Spain | 99.96 | 99.96 | | |
| Basil Read and subsidiaries | Johannesburg | South Africa | 70.60 | 70.60 | | |
| Dragages & TP (Hong Kong) Ltd | Hong Kong | China | 99.96 | 99.96 | | |
| DTP Singapore | Singapore | Singapore | 99.96 | 99.96 | | |
| IP Foundations Hong Kong | Hong Kong | China | Sold | 99.87 | | |
| VSL International and subsidiaries | Lyssach | Switzerland | 99.87 | 99.87 | | |

(1) If % control is different from % interest.

| Company | Location | Country | % interest 2003 | % interest 2002 | % direct and indirect control (1) 2003 | % direct and indirect control (1) 2002 |
|---|---|---|---|---|---|---|
| **1.3 ETDE Group** | | | | | | |
| ETDE SA and regional subsidiaries | Montigny-le-Bretonneux | France | 99.96 | 99.96 | | |
| ETDE Réseaux et Communication SA | Massy | France | 99.96 | 99.96 | | |
| Gallet Delage SA | Kremlin-Bicêtre | France | 99.96 | 99.96 | | |
| Transel | Montigny-le-Bretonneux | France | 99.96 | 99.96 | | |
| Monchel | Saint-Laurent Blanguy | France | 99.96 | | | |
| Serma and subsidiaries | Champ Gorgueil | France | 99.96 | | | |
| FOREIGN | | | | | | |
| Sté Gabonnaise d'Électrification et de Canalisation (SOGEC) | Libreville | Gabon | 84.39 | 84.39 | | |
| **Equity method** | | | | | | |
| **Bouygues Bâtiment** | | | | | | |
| Consortium Stade de France SA | La Plaine-Saint-Denis | France | 33.32 | 33.32 | | |
| **Bouygues TP** | | | | | | |
| FOREIGN | | | | | | |
| Aka RT | Budapest | Hungary | 40.98 | 40.74 | | 41.49 |
| Bina Fincom | Zagreb | Croatia | 50.98 | 50.98 | | |
| Trans African Concessions (TRAC) | Kyalami | South Africa | Sold | 22.70 | | 26.61 |
| **2 . Roadworks** | | | | | | |
| **Colas Group** | | | | | | |
| **Full consolidation** | | | | | | |
| Colas SA et and regional subsidiaries | | | | | | |
| (Colas, Screg and Sacer) | Boulogne-Billancourt | France | 95.90 | 95.36 | | |
| Grands Travaux Océan Indien (GTOI) SA | Le Port (La Réunion) | France | 95.89 | 95.36 | 99.99 | 99.99 |
| Spac SA and subsidiaries | Clichy | France | 95.90 | 95.36 | 99.99 | 99.99 |
| Sécorail | Chatou | France | 95.90 | 95.36 | 99.90 | 99.90 |
| Société de Matériel Routier (Somaro) SA | Chatou | France | 95.90 | 95.36 | 99.99 | 99.99 |
| Colas Guadeloupe | Baie Mahault | France | 95.89 | 95.36 | 99.99 | 99.98 |
| Colas Martinique SA | Le Lamentin | France | 95.89 | 95.36 | 99.99 | 99.98 |
| Smac Acieroïd SA and subsidiaries | Vitry-sur-Seine | France | 95.90 | 95.36 | 99.99 | 99.99 |

(1) If % control is different from % interest.

| Company | Location | Country | % interest | | % direct and indirect control (1) | |
|---|---|---|---|---|---|---|
| | | | 2003 | 2002 | 2003 | 2002 |
| Perrier SA | Saint-Priest | France | Merged | 95.36 | | 99.90 |
| **FOREIGN** | | | | | | |
| Colas Hungaria and subsidiaries | Budapest | Hungary | 95.90 | 95.36 | 100.00 | 99.91 |
| Colas Danmark | Virum | Denmark | 95.90 | 95.36 | 100.00 | 100.00 |
| Colas (Genève) SA and subsidiaries | Lausanne | Switzerland | 95.15 | 94.60 | 99.21 | 99.21 |
| Colas Inc. and subsidiaries | Morristown NJ | USA | 95.90 | 95.36 | 100.00 | 100.00 |
| Colas Maroc and subsidiaries | Casablanca | Morocco | 95.83 | 95.36 | 99.93 | 99.93 |
| Colas UK Ltd and subsidiaries | Rowfant Crakley | UK | 95.90 | 95.36 | 100.00 | 100.00 |
| Strada | Sroda Wielkopolsko | Poland | 55.88 | 55.50 | 58.27 | 58.20 |
| Société routière Colas Gabon | Libreville | Gabon | 86.21 | 85.72 | 89.89 | 89.89 |
| Screg Belgium and subsidiaries | Brussels | Belgium | 95.90 | 95.36 | 100.00 | 100.00 |
| **Proportional consolidation** | | | | | | |
| Carrières Roy SA | St-Varent | France | 47.93 | 47.58 | 49.98 | 49.98 |
| **Equity method** | | | | | | |
| Cofiroute SA | Sèvres | France | 15.99 | 15.93 | 16.67 | 16.66 |
| **3 . Property** | | | | | | |
| **Bouygues Immobilier Group** | | | | | | |
| **Full consolidation** | | | | | | |
| Bouygues Immobilier and subsidiaries | Boulogne-Billancourt | France | 100.00 | 100.00 | | |
| **D - OTHER SUBSIDIARIES** | | | | | | |
| **Full consolidation** | | | | | | |
| Infomobile SA | Guyancourt | France | 100.00 | 99.99 | | |
| Bouygues Relais SNC | St-Quentin-en-Yvelines | France | 100.00 | 100.00 | | |
| Challenger SNC | St-Quentin-en-Yvelines | France | 100.00 | 99.99 | | |
| Société française de participation & gestion (SFPG) SA and subsidiaries | Paris | France | 99.76 | 99.76 | | |
| Sofic SA | Boulogne-Billancourt | France | 99.97 | 99.97 | | |
| **FOREIGN** | | | | | | |
| Challenger Réassurance | Luxembourg | Luxembourg | 99.99 | 99.99 | | |
| Uniservice | Geneva | Switzerland | 99.99 | 99.99 | | |

(1) If % control is different from % interest.

# Parent company financial statements

## Balance sheet at 31 December

### Assets (€ million)

| | 2003 Gross | 2003 Amortisation | 2003 Net | 2002 Net | 2001 Net |
|---|---|---|---|---|---|
| Intangible fixed assets | 2 | 1 | 1 | 1 | 1 |
| Tangible fixed assets | - | - | - | 7 | 8 |
| Long-term investments | 8,005 | 182 | 7,823 | 6,652 | 4,905 |
| *Subsidiaries and affiliates* | *7,357* | *170* | *7,187* | *5,877* | *4,444* |
| *Advances to subsidiaries and affiliates* | *630* | *7* | *623* | *577* | *448* |
| *Other* | *18* | *5* | *13* | *198* | *13* |
| **FIXED ASSETS** | **8,007** | **183** | **7,824** | **6,660** | **4,914** |
| Inventories and work in progress | - | - | - | - | - |
| Advances and payments on account | - | - | - | - | - |
| Trade receivables | 20 | - | 20 | 30 | 37 |
| Other receivables | 57 | 24 | 33 | 227 | 718 |
| Short-term investment securities | 1,578 | - | 1,578 | 781 | 998 |
| Cash and equivalents | 10 | - | 10 | 108 | 5 |
| **CURRENT ASSETS** | **1,665** | **24** | **1,641** | **1,146** | **1,758** |
| Other assets | 13 | - | 13 | 11 | 10 |
| **TOTAL ASSETS** | **9,685** | **207** | **9,478** | **7,817** | **6,682** |

### Liabilities and Shareholders' Equity (€ million)

| | 2003 Net | 2002 Net | 2001 Net |
|---|---|---|---|
| Authorised capital | 333 | 344 | 344 |
| Premiums and reserves | 4,348 | 4,636 | 4,516 |
| Unallocated retained earnings | 3 | 2 | - |
| Net earnings for the year | 216 | 121 | 237 |
| Regulated provisions | - | - | - |
| **SHAREHOLDERS' EQUITY** | **4,900** | **5,103** | **5,097** |
| Provisions for liabilities and charges | 177 | 232 | 273 |
| Financial liabilities | 2,978 | 2,232 | 1,197 |
| Progress payments received | - | - | - |
| Trade payables | 28 | 25 | 27 |
| Other payables | 19 | 86 | 88 |
| **LIABILITIES** | **3,202** | **2,575** | **1,585** |
| **SHORT-TERM BANK BORROWINGS** | **1,375** | **139** | **-** |
| Other liabilities | 1 | - | - |
| **TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY** | **9,478** | **7,817** | **6,682** |

## Income statement (€ million)

| | 2003 | 2002 | 2001 |
|---|---|---|---|
| **SALES** | **62** | **63** | **74** |
| Other operating income | 10 | 8 | 1 |
| Purchases and changes in inventories | - | - | - |
| Taxes other than income tax | (2) | (2) | (3) |
| Personnel costs | (50) | (48) | (54) |
| Other operating expenses | (33) | (38) | (37) |
| Net depreciation, amortisation and provisions | (11) | (13) | (5) |
| **EARNINGS FROM OPERATIONS** | **(24)** | **(30)** | **(24)** |
| Net financial income | 189 | 88 | 190 |
| **EARNINGS BEFORE TAX AND EXCEPTIONAL ITEMS** | **165** | **58** | **166** |
| Exceptional items | (7) | 65 | 49 |
| Income tax | 58 | (2) | 22 |
| **NET EARNINGS** | **216** | **121** | **237** |

## Cash flow statement (€ million)

| | 2003 | 2002 |
|---|---|---|
| **A - OPERATING ACTIVITIES** | | |
| **Cash flow** | **189** | **120** |
| Net earnings for the year | 216 | 121 |
| Depreciation and amortisation and provisions on fixed assets | - | (65) |
| Net change in long-term provisions on liabilities and charges | (32) | (42) |
| Expense transfers | - | (4) |
| Net gain (loss) on asset disposals | 5 | 110 |
| **Change in working capital requirement** | **95** | **497** |
| Current assets | 163 | 500 |
| Current liabilities | (68) | (3) |
| **NET CASH FROM OPERATING ACTIVITIES** | **284** | **617** |
| **B - INVESTING ACTIVITIES** | | |
| **Increase in fixed assets:** | | |
| Acquisition of intangible and tangible assets | - | - |
| Acquisition of participating interests | (2,605) | (1,654) |
| | **(2,605)** | **(1,654)** |
| Disposals of fixed assets | 1,517 | 2 |
| Net investment | (1,088) | (1,652) |
| Net other long-term investments | (40) | (134) |
| Liabilities relating to fixed assets | 5 | (1) |
| **NET CASH USED FOR INVESTING ACTIVITIES** | **(1,123)** | **(1,787)** |
| **C - FINANCING ACTIVITIES** | | |
| Change in shareholders' equity | (334) | 4 |
| Dividends paid during the year | (121) | (122) |
| Change in financial liabilities | 741 | 1,036 |
| **NET CASH FROM FINANCING ACTIVITIES** | **286** | **918** |
| **CHANGE IN CASH AND EQUIVALENTS (A+B+C)** | **(553)** | **(252)** |
| Cash and equivalents at 1 January | 750 | 1,002 |
| Other non-cash movements | 15 | - |
| Net flows during the year | (553) | (252) |
| **CASH AND EQUIVALENTS AT 31 DECEMBER** | **212** | **750** |

# Notes to the parent company financial statements

## CONTENTS



**Amounts are expressed in millions of euros**

# Note 1 SIGNIFICANT EVENTS OF 2003

## 1.1 Holdings in subsidiaries and affiliates

**Significant increase**

| | | % interest held directly 31/12/2003 | 31/12/2002 |
|---|---|---|---|
| Bouygues Telecom (1) | 2,303 | 82.20% | 27.58% |
| Colas | 66 | 95.90% | 95.36% |

| | |
|---|---|
| (1) Merger of BDT into Bouygues Telecom | 1,162 (+ 35.3%) |
| Acquisition of Bouygues Telecom shares in March and December from E.ON | 944 (+ 15.9%) |
| Acquisition of Bouygues Telecom shares in October from SFPG | 197 (+ 3.4%) |

**Significant decrease**

Cancellation of BDT shares valued at €1,162 million following the merger with Bouygues Telecom.

## 1.2 Own shares

During 2003 Bouygues acquired 5,416,900 of its own shares for €120 million. These shares were booked as other long-term investment securities. This acquisition raised the number of own shares held by Bouygues to 12,207,190, valued at €306 million. These own shares were cancelled by the capital reductions of June 2003 and December 2003 (pursuant to decisions by the Board of Directors on 17 June and 16 December 2003).

## 1.3 Advances to subsidiaries

**BDT:**

- €103 million capital increase by incorporation of cash advances before merger with Bouygues Telecom.

**Bouygues Telecom:**

- €313 cash advances to BDT contributed to capital increase.
- Purchase of €142 million owed by Bouygues Telecom to E.ON as part of purchase of Bouygues Telecom shares.
- Purchase of €31 million owed by Bouygues Telecom to SFPG as part of purchase of Bouygues Telecom shares.

**Infomobile:**

- €8 million capital increase by incorporation of cash advances.

## 1.4 November 2003 bond issue

- Amount: €750 million
- Interest rate: 4.625%
- Issue price: 99.348%
- Redemption: Redeemable in full at par on 25 February 2011.

## 1.5 Net financial income

Net financial items in 2003 amounted to income of €189 million, as follows:

| | |
|---|---|
| • Dividends received and earnings of partnerships | 202 |
| • Net interest income | (63) |
| • Change in provisions on investment securities | 44 |
| • Proceeds of disposals of investment securities | 5 |
| • Other | 1 |

# Note 2 ACCOUNTING POLICIES

The financial statements have been prepared in accordance with current provisions of French law.

## 2.1 Intangible assets

Preliminary expenses and research and development costs are expensed in full in the year in which they are incurred.

As a rule, software acquired from third parties is booked to intangible fixed assets and depreciated straight-line over a maximum of five years.

## 2.2 Tangible fixed assets

Tangible fixed assets are valued at acquisition cost less deductible taxes. Non-intrinsic incidental expenses are charged directly to income during the year.

Production for own use is valued at production cost plus a percentage of overhead costs.

Depreciation expenses are calculated on a straight-line basis according to the type and expected useful life of the asset concerned. Additional charges for excess tax depreciation are booked in respect of assets eligible for accelerated depreciation.

**Useful lives – Depreciation method**

| | | |
|---|---|---|
| Buildings | 40 years | Straight-line |
| Fixtures and fittings | 10 years | Straight-line |
| Computer hardware | 3 years | Straight-line |
| Office furniture | 10 years | Straight-line |

## 2.3 Long-term investments

**Participating interests and other long-term investment securities**

Participating interests and other long-term investment securities are stated at acquisition cost. Non-intrinsic acquisition costs are not included and are booked as expense.

**Valuation of participating interests**

Long-term investment securities are evaluated at their retention value to the Group, determined on the basis of objective criteria (quoted share price for listed companies, book value, profitability), forecast data (economic outlook, earnings prospects) or other data indicative of actual value.

If retention value is less than stated value, an impairment provision is constituted for the difference.

**Advances to subsidiaries and other loans**

Advances and loans due in more than one year are stated on the balance sheet at face value. An impairment provision is constituted if realisable value taking into account the likelihood of recovery is less than stated value.

## 2.4 Receivables and payables in foreign currencies

Receivables and payables in foreign currencies are translated at the exchange rate on the balance sheet date or, if covered by a currency hedge, at the contract exchange rate.

Unrealised gains and losses are booked to suspense accounts on the balance sheet. Provisions are constituted for unrealised foreign exchange losses.

## 2.5 Short-term investment securities

The value of the securities portfolio is estimated in accordance with French accounting standards.

Thus,

- The balance sheet value of bonds is determined by the average price in December 2003.
- The balance sheet value of equity securities, money-market funds, certificates of deposit and short-term notes is determined by the latest

quoted price on 31 December 2003. For listed securities, the value is equal to the average price during December 2003.

## 2.6 Prepayments, deferred charges and accrued income

Expenses to be amortised over several periods comprise mainly the portion of issuance costs not covered by issue premiums. In the case of convertible bonds, the portion of unamortised costs relating to bonds converted to shares is charged against the issue premium for the new shares.

Amortisation of bond discounts concerns the July 1999 and November 2003 bond issues, for which the issue prices were 99.854% and 99.348% of par respectively.

## 2.7 Provisions for liabilities

This item comprises mainly:

- provisions for income tax, intended to cover the amount of tax payable on capital gains on which tax has been deferred;
- provisions for additional liabilities arising from losses at subsidiaries. These provisions are constituted for subsidiaries whose negative net worth cannot be covered in full by provisions for impairment on investment securities and on other debts owed by the subsidiary to the parent.

## 2.8 Hedging instruments

The company uses hedging instruments in order to limit the impact of exchange rate and interest rate movements on the income statement.

The instruments used are limited to the following: for exchange rate hedges, forward purchases and sales, currency swaps and currency options; for interest rate hedges, interest rate swaps, forward rate agreements (FRAs), caps and tunnels.

In addition, these instruments

- are used only for hedging purposes,
- are contracted only with leading French and foreign banks,
- present no risk of illiquidity in the event of a downturn.

Gains and losses on the instruments used in hedging transactions are recognized in the same manner as income and expense of the items hedged.

## 2.9 Off-balance sheet commitments

The Company's commitments in respect of post-employment benefits are calculated using the following methods and assumptions:

- Retrospective method based on projected final salary.
- Benefits as payable under collective agreements and company benefit plans, brought into compliance with the provisions of the Act of 30 July 1987 and the 1988 Finances Act.
- Vested benefits as of 31 December 2003.
- Personnel are classified into homogeneous groups by rank, age and length of service.
- Average monthly pay of each group as of 31 December 2003 is increased by a coefficient reflecting the current rate of employer social insurance contributions.
- Annual rate of increase in base pay: 1.50%.
- Discount rate for present value calculations: 4.14%.
- Average staff turnover rate in 2003 is calculated as the average rate of departures in the years from 1999 to 2003.
- Life expectancy is determined from actuarial tables for 1993.

## Note 3 FIXED ASSETS

| | At 1 January | Transfer | Increase | Decrease | At 31 December |
|---|---|---|---|---|---|
| **Intangible fixed assets** | | | | | |
| Software | 2 | - | - | - | 2 |
| Other | - | - | - | - | - |
| **Gross value** | **2** | **-** | **-** | **-** | **2** |
| Amortisation | (1) | - | - | - | (1) |
| **Net value** | **1** | **-** | **-** | **-** | **1** |
| **Tangible fixed assets** | | | | | |
| Land and buildings | 7 | - | - | 7 | - |
| Other | 2 | - | - | 2 | - |
| **Gross value** | **9** | **-** | **-** | **9** | **-** |
| Depreciation | (1) | - | - | (1) | - |
| **Net value** | **8** | **-** | **-** | **8** | **-** |
| **Long-term investments** | | | | | |
| Subsidiaries and affiliates | 6,046 | - | 2,480 | 1,169 | 7,357 |
| Advances to subsidiaries and affiliates | 590 | - | 511 | 471 | 630 |
| Other | 238 | - | 125 | 345 | 18 |
| **Gross value** | **6,874** | **-** | **3,116** | **1,985** | **8,005** |
| Provisions | (222) | - | (10) | (50) | (182) |
| **Net value** | **6,652** | **-** | **3,106** | **1,935** | **7,823** |
| **Total net value** | **6,661** | **-** | **3,106** | **1,943** | **7,824** |

| Of which due within more than one year: | Gross |
|---|---|
| Advances to subsidiaries and affiliates | 630 |
| Other | 1 |
| | 631 |

## Note 4 MATURITY OF RECEIVABLES RELATING TO CURRENT ASSETS

| | Gross | Less than 1 year | More than 1 year |
|---|---|---|---|
| Advances and payments on account | - | - | - |
| Trade receivables | 29 | 22 | 7 |
| Sundry receivables | 48 | 24 | 24 |
| **Total** | **77** | **46** | **31** |

## Note 5 PREPAYMENTS, DEFERRED CHARGES AND ACCRUED INCOME

| | At 1 January | Transfers | Increase | Amortisation | At 31 December | Of which due within 1 year |
|---|---|---|---|---|---|---|
| Expenses of issuing bonds | 8 | - | - | 2 | 6 | 2 |
| Expenses incurred in acquiring long-term investments | 2 | - | - | 1 | 1 | 1 |
| **Total expenses to be amortised over several periods** | **10** | **-** | **-** | **3** | **7** | **3** |
| Bond discounts | - | - | 5 | - | 5 | 1 |
| Other | 1 | - | 1 | 1 | 1 | 1 |
| **Total** | **11** | **-** | **6** | **4** | **13** | **5** |

## Note 6 CHANGE IN SHAREHOLDERS' EQUITY

| | |
|---|---|
| **Shareholders' equity at 31/12/2002 (before allocation of earnings)** | **4,982** |
| Earnings allocated to net worth | 121 |
| Dividends paid out | (121) |
| **Shareholders' equity at 1/1/2003 (after allocation of earnings)** | **4,982** |
| Change in authorised capital | (11) |
| Change in premiums and reserves | (287) |
| Net earnings in 2003 | 216 |
| **Shareholders' equity at 31/12/2003** | **4,900** |

## Note 7 COMPOSITION OF AUTHORISED CAPITAL

| | Number of votes | Number of shares | Number of investment certificates | Total |
|---|---|---|---|---|
| At 1 January | 419,084,948 | 343,801,210 | 560,709 | 344,361,919 |
| Change during the year | 6,945,219 | (1) (11,129,671) | (32,279) | (11,161,950) |
| At 31 December | 426,030,167 | 332,671,539 | 528,430 | 333,199,969 |
| **Par value** | | | | **€1** |

Maximum number of future shares created: 32,406,136.

(1) Changes in number of shares during the year:
Increases: 1,077,519 by exercise of stock options and conversion of investment certificates.
Decreases: 12,207,190

## Note 8 PROVISIONS FOR LIABILITIES AND CHARGES

| | At 1 January | Transfer | Charges for the year | Written back during the year | At 31 December |
|---|---|---|---|---|---|
| Provisions for subsidiaries and affiliates | 45 | - | 2 | 44 | 3 |
| Provisions for taxes | 169 | (22) | 3 | 3 | 147 |
| Other provisions | 7 | - | 11 | - | 18 |
| **Provisions for liabilities** | **221** | **(22)** | **16** | (1) **47** | **168** |
| **Provisions for charges** | **11** | **-** | **8** | (2) **10** | **9** |
| **Total** | **232** | **(22)** | **24** | **57** | **177** |

| | Charges for the year | Written back during the year |
|---|---|---|
| Operating provisions | 8 | 10 |
| Financial provisions | 2 | 44 |
| Exceptional provisions | 14 | 3 |
| | **24** | **57** |

(1) Provisions that have become unnecessary.
(2) Provisions utilised.

## Note 9 LIABILITIES BY MATURITY AT 31 DECEMBER 2003

| | Gross | Less than 1 year | 1–5 years | More than 5 years |
|---|---|---|---|---|
| **Financial liabilities** | | | | |
| Convertible bonds (1) | 433 | 7 | 426 | - |
| Other bond issues: | | | | |
| January 1997 bond issue (2) | 242 | 242 | - | - |
| July 1999 bond issue (3) | 512 | 12 | 500 | - |
| May 2002 bond issue (4) | 1,037 | 37 | - | 1,000 |
| November 2003 bond issue (5) | 754 | 4 | - | 750 |
| | 2,545 | 295 | 500 | 1,750 |
| Bank loans | - | - | - | - |
| **Total financial liabilities** | **2,978** | **302** | **926** | **1,750** |
| **Trade payables** | **28** | **28** | **-** | **-** |
| **Sundry liabilities** | **19** | **19** | **-** | **-** |
| **Short-term bank borrowing** | **1,375** | **1,375** | **-** | **-** |
| **Total** | **4,400** | **1,724** | **926** | **1,750** |

(1) February 1999 issue of convertible bonds in the amount of FF 3.28 billion (€500 million) bearing interest at 1.7%, redeemable at par on 1 January 2006. During 2003 no bonds were converted.

(2) January 1997 issue of bonds in the amount of FF 1.5 billion (€228.7 million) bearing interest at 5.75%, redeemable in full at par on 6 January 2004.

(3) July 1999 issue of bonds in the amount of FF 3.28 billion (€500 million) bearing interest at 4.875%, redeemable in full at par on 3 July 2006.

(4) May 2002 issue of bonds in the amount of €750 million in May 2002 and €250 million in December 2002, bearing interest at 5.875%, redeemable in full at par on 15 May 2009.

(5) November 2003 issue of bonds in the amount of €750 million bearing interest at 4.625%, redeemable in full at par on 25 February 2011.

## Note 10 DETAILS OF ACCOUNTS CONCERNING AFFILIATES

| | Amount |
|---|---|
| **Assets** | |
| Long-term investments | 7,987 |
| Trade receivables | 19 |
| Other receivables | 24 |
| Current account debit balances | - |
| **Total** | **8,030** |
| **Expense** | |
| Operating expenses | 9 |
| Interest charges | 10 |
| Income tax expense | - |
| **Total** | **19** |

| | Amount |
|---|---|
| **Liabilities** | |
| Financial liabilities | - |
| Trade payables | 3 |
| Other payables | 7 |
| Current account credit balances | 1,374 |
| **Total** | **1,384** |
| **Income** | |
| Operating income | 61 |
| Interest income | 232 |
| Negative income tax expense | 73 |
| **Total** | **366** |

## Note 11 HEDGING AND OTHER FINANCIAL INSTRUMENTS

- **Interest rates hedges**

| Amounts outstanding at 31/12/03 by maturity | 2004 | 2005 to 2008 | Beyond | Total |
|---|---|---|---|---|
| **Interest rate swaps** | | | | |
| On financial assets | 570 | - | - | 570 |
| On financial liabilities | 15 | 53 | 257 | 325 |

- **Exchange rate hedges**

| Amounts outstanding at 31/12/03 by currency | CHF | GBP | Other | Total |
|---|---|---|---|---|
| **Forward purchases and sales** | | | | |
| Forward purchases | - | - | - | - |
| Forward sales | - | - | - | - |
| **Currency swaps** | 39 | - | - | 39 |

- **Transactions in options**

Calls: As part of the Bouygues Confiance II programme, Bouygues has acquired 152,017 call options on Bouygues shares.
At 31 December 2003, Bouygues held 391,975 calls.

## Note 12 OFF-BALANCE SHEET COMMITMENTS

| | Total | Affiliates |
|---|---|---|
| **Commitments given (liabilities)** | | |
| **Guarantees** | | |
| Non-bank guarantees | - | - |
| Pledges relating to loan agreements | | |
| Bouygues Telecom shares and advances | (1) 1,016 | - |
| **Post-employment benefits** | **3** | **-** |
| **Other commitments given** | **4** | **-** |
| **Total** | **1,023** | **-** |
| **Commitments received (assets)** | **-** | **-** |
| **Other commitments received** | **4** | **4** |
| **Total** | **4** | **4** |

(1) Commitment limited to the outstanding amount of the syndicated loan not repaid as of 31/12/2003.

In the past, before the group's construction activities were incorporated as subsidiaries, Bouygues SA provided performance bonds on such activities.
Certain of those guarantees have been kept as commitments of the company in regard to work performed by its subsidiaries. These commitments are not specifically identified, and no estimated figures are associated with them, unless it appears likely that they will give rise to payments by the group, in which case provisions will be set aside for them on the balance sheet.

## Note 13 SALES

Bouygues' sales consist essentially of shared services billed to subsidiaries and affiliates.

## Note 14 TAX CONSOLIDATION AND INCOME TAX

Since 1997, Bouygues SA has opted for tax consolidation under Articles 223 A to U of France's General Tax Code.

In addition to Bouygues SA, 66 companies were included in the consolidated tax group in 2003.

Each subsidiary books its tax charge as though there were no consolidation. The tax saving accrues to the parent company.

At year-end, Bouygues SA booked a negative income tax charge as follows:

| | € million |
|---|---|
| Net tax expense | (14) |
| Negative tax expense due to tax consolidation (income tax expense recognised by profitable consolidated companies) | 73 |
| **Total** | **59** |

## Note 15 DEFERRED TAXES

| | At 1 January | | Change during year | | At 31 December | |
|---|---|---|---|---|---|---|
| | Asset | Liability | Asset | Liability | Asset | Liability |
| **Non-deductible expenses** | | | | | | |
| Tax provision | 169 | - | 26 | 26 | 169 | - |
| Other provisions | 53 | - | 12 | 43 | 22 | - |
| **Total** | **222** | **-** | **38** | **69** | **191** | **-** |
| **Tax-deductible expenses and taxable income not booked** | | | | | | |
| Unrealised foreign exchange losses | - | - | - | - | - | - |
| Unrealised foreign exchange gains | - | - | - | - | - | - |
| **Net currency translation adjustment** | | | | | | |
| Expenses to be amortised over several periods | - | 10 | 6 | - | - | 4 |
| Bouygues Confiance calls | - | - | 1 | - | 1 | - |
| **Other income and expense** | **-** | **10** | **7** | **-** | **1** | **4** |
| **Total** | **-** | **10** | **7** | **-** | **1** | **4** |

## Note 16 AVERAGE NUMBER OF EMPLOYEES IN 2003

| | 2003 | 2002 |
|---|---|---|
| Managerial | 184 | 190 |
| Clerical, technical and supervisory | 60 | 63 |
| **Total** | **244** | **253** |

## Note 17 ADVANCES AND LOANS TO CORPORATE BODIES, REMUNERATION OF SENIOR EXECUTIVES AND DIRECTORS

Remuneration of senior executives and directors:

- Group directors and senior executives (Chairman and CEO and three deputy CEOs) received a total of €9.28 million in direct and indirect emoluments of all kinds from French and foreign companies, including €4.08 million in base pay, €4.94 million in bonuses paid in early 2004 on the basis of performance in 2003, and €0.26 million and in directors' fees.
- Attendance fees paid to voting and non-voting directors amounted to €0.45 million.

## Note 18 SECURITIES PORTFOLIO AT 31 DECEMBER 2003

| Participating interests | Number of securities | % | Balance sheet value (1) |
|---|---|---|---|
| TF1 | 88,457,399 | 41.114 | 2,449 (a) |
| Bouygues Telecom | 33,260,255 | 82.198 | 4,122 |
| Colas | 30,368,360 | 95.904 | 2,674 (a) |
| Saur | 9,712,508 | 77.190 | 507 |
| Bouygues Immobilier | 44,995 | 99.989 | 245 |
| Bouygues Construction | 1,705,110 | 99.934 | 222 (b) |
| Other equity | | | 82 |
| **Total participating interests** | | | **10,301** |
| **Investment securities** | | | |
| Other securities | | | 1,487 (a) |
| Short-term notes | | | 90 (a) |
| **Total investment securities** | | | **1,577** |
| **Total transferable securities** | | | **11,878** |

(1) The balance sheet value is generally the net book value. If greater, the following is used instead:
(a) stock-market value (closing price for equities, average price during the previous month for bonds),
(b) proportionate share of consolidated net assets.

## Note 19 INFORMATION ON SUBSIDIARIES AND AFFILIATES

| | Share capital (1) | Other equity (1) (7) | % | Book value of securities (2) Gross | Net | Loans and advances (2) | Guarantees (2) | Sales exclusive of tax (2) | Earnings (2) | Dividends received (2) | Remarks |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **A - Detailed information** | | | | | | | | | | | |
| **1. Subsidiaries (%>50)** | | | | | | | | | | | |
| FRANCE | | | | | | | | | | | |
| Bouygues Construction | 27 | 195 | 99.934 | 59 | 59 | - | | 5,002 | 32 | 17 | (5) |
| Bouygues Immobilier | 69 | 135 | 99.989 | 245 | 245 | - | | 1,230 | 44 | 24 | (5) |
| Bouygues Telecom | 617 | 937 | 82.198 | 4,122 | 4,122 | 622 | | 3,283 | 201 | - | (5) |
| Bouygues Relais | - | 6 | 98.947 | - | - | - | | - | 6 | - | |
| C2S | - | - | 99.940 | - | - | - | | 10 | - | | |
| Colas | 47 | 993 | 95.904 | 1,545 | 1,545 | - | | 7,426 | 204 | 85 | (5) |
| Infomobile | 2 | (3) | 99.999 | 83 | - | 1 | | 27 | (2) | - | (4) |
| Saur | 200 | 342 | 77.190 | 507 | 507 | - | | 2,450 | (17) | 6 | (5) |
| SFPG | - | 1 | 99.760 | - | - | - | | - | 44 | - | (6) |
| SNC Challenger | - | 5 | 99.990 | 15 | 15 | - | | 15 | 5 | - | |
| Sofic | - | (8) | 99.970 | 60 | - | 5 | | - | (1) | - | (4) |
| Sotegi | - | - | 99.760 | - | - | - | | - | - | - | (6) |
| **TOTAL** | **-** | | | **6,636** | **6,493** | **628** | | **19,443** | **516** | **132** | |
| FOREIGN | | | | | | | | | | | |
| Uniservice | 50 | 13 | 99.990 | 31 | 31 | | | | 4 | 3 | |
| **TOTAL** | | | | **31** | **31** | | | | **4** | **3** | |
| **2. Affiliates (10<%<50)** | | | | | | | | | | | |
| FRANCE | | | | | | | | | | | |
| TF1 | 43 | 823 | 41.114 | 652 | 652 | | | 2,743 | 191 | 57 | (5) |
| **TOTAL** | | | | **652** | **652** | | | **2,743** | **191** | **57** | |
| **TOTAL** FOREIGN | | | | | | | | | | | |
| **B - Summary information** | | | | | | | | | | | |
| **1. Subsidiaries** | | | | | | | | | | | |
| FRANCE | | | | 24 | 10 | | | 1 | (2) | | (3) |
| FOREIGN | | | | 4 | | | | 4 | | | |
| **2. Affiliates** | | | | | | | | | | | |
| FRANCE | | | | 4 | 1 | 2 | | 50 | 2 | | (4) |
| FOREIGN | | | | 6 | | | | | | | |
| **GRAND TOTAL** | | | | **7,357** | **7,187** | **630** | | **22,241** | **711** | **192** | |

(1) In local operating currency.
(2) In euros.
(3) Revaluation differences.
(4) Provisions for loans and advances.
(5) Sub-group parent companies: consolidated reserves, sales and earnings of sub-group, excluding third-party interests.
(6) Year ended 30 November.
(7) Including profit or loss for the year.

# Annual General Meeting on 22 April 2004

# AGENDA

## 1 Ordinary part

- Board of Directors' annual report for 2003.
- Chairman's report on the preparation and organisation of the Board's work and the internal control procedures introduced by the company.
- Auditors' reports for 2003.
- Auditors' observations on the Chairman's report concerning internal control procedures relating to the preparation and treatment of accounting and financial information.
- Board of Directors' special report on stock options.
- Approval of the company accounts for the year ended 31 December 2003 as presented by the Board.
- Approval of the consolidated accounts for the year ended 31 December 2003 as presented by the Board.
- Appropriation of earnings for 2003.
- Auditors' special report on the agreements referred to at Article L. 225-38 of the Commercial Code and approval of the agreements mentioned in the report.
- Ratification of the co-option of two directors.
- Renewal of the term of office of three directors.
- Appointment of a director.
- Renewal of the term of office of a statutory auditor.
- Renewal of the term of office of an alternate auditor.
- Authorisation to be given to the Board of Directors to issue debt securities, especially bonds and similar securities.
- Authorisation to be given to the Board of Directors to enable the company to buy back its own shares or investment certificates.

## 2 Extraordinary part

- Board of Directors' and auditors' reports.
- Delegation of powers to the Board of Directors to increase the authorised capital, either by issuing transferable securities giving immediate or future access to shares in the company, preserving the preferential subscription right, or by incorporating premiums, reserves, earnings or other sums.
- Delegation of powers for the Board of Directors to increase the authorised capital by issuing transferable securities giving immediate or future access to shares in the company, cancelling the preferential subscription right.
- Authorisation for the Board of Directors to use the delegated powers to increase the authorised capital in the event of a tender offer for the company's shares.
- Delegation of powers for the Board of Directors to increase the authorised capital in favour of employees of the company or of companies in the group, including if it makes use of authorisations to increase the capital.
- Authorisation for the Board of Directors to reduce the authorised capital by retiring treasury stock.
- Delegation of powers for the Board of Directors to grant stock options.
- Amendment of the by-laws to ensure compliance with Articles 117 and 129 of the Financial Security Act of 1 August 2003.
- Powers to carry out formalities.

# BOARD OF DIRECTORS' REPORT

## and report on the resolutions put to the Annual General Meeting

Ladies and Gentlemen,

During the ordinary part of Bouygues SA's Annual General Meeting, called and held in accordance with the law and our by-laws, you are asked to approve the annual accounts and the consolidated accounts for 2003 and the resolutions described in paragraphs 1 to 10 below.

During the extraordinary part of the Meeting, you are asked to approve resolutions authorising the Board of Directors to carry out capital increases, preserving or cancelling preferential subscription rights, or by incorporating reserves, earnings, premiums or other sums, including during a tender or exchange offer for the company's shares, to increase the authorised capital in favour of employees, to retire shares acquired under the company's buy-back programme, to grant stock options and to decide amendments to the by-laws.

### Resolutions within the competence of the ordinary part of the meeting

**1 - Approval of the annual accounts, the consolidated accounts, the appropriation of earnings and regulated agreements (first, second, third and fourth resolutions)**

You are asked to approve the annual accounts of Bouygues SA as at 31 December 2003 and the consolidated accounts and the appropriation of earnings in the amount of €216,422,001.36, with distribution of a dividend of €0.50 per share and per investment certificate, payable in cash, with a tax credit of €0.25 (assuming a 50% rate). The dividend will be payable as of 29 April 2004.

You are also asked to approve the agreements referred to at Article L. 225-38 of the Commercial Code, described in the auditors' special report.

Information about the company's management in 2003, the company accounts and consolidated accounts and the proposed appropriation of earnings in 2003 is contained in the report on the company's operations in 2003. Shareholders wishing to receive this report or the auditors' reports may obtain them by returning the document request form attached to the notice of meeting.

**2 - Composition of the Board of Directors (fifth to tenth resolutions)**

Pursuant to Article L. 225-18 of the Commercial Code, you are asked to ratify the co-option of two directors, to renew three directors' terms of office and to appoint one director.

The Board asks you to:

- **ratify the co-option of:**

- Mr. Charles de Croisset in place of Mr. Alain Pouyat for the remainder of his term of office, which expires on conclusion of this Annual General Meeting,

- Mr. Thierry Jourdaine in place of Mr. Daniel Devillebichot for the remainder of his term of office, which expires on conclusion of the Annual Meeting called to approve the accounts for 2004;

- **to renew, for a six-year term expiring on conclusion of the Annual Meeting called to approve the accounts for 2009, the directorships of:**

- Mr. Charles de Croisset,

- Mr. Yves Gabriel,

- Financière Pinault;

- **and to appoint Mr. Alain Pouyat to a directorship for a six-year term expiring on conclusion of the Annual Meeting called to approve the accounts for 2009.**

**3 - Renewal of the terms of office of two auditors (eleventh and twelfth resolutions)**

Pursuant to Article L. 225-228 of the Commercial Code, the Board asks you to renew the terms of office of Mazars & Guérard, statutory auditor, and Mr. Thierry Colin, alternate auditor, for a six-year term expiring on conclusion of the Annual Meeting called to approve the accounts for 2009.

**4 - Authorisation to issue debt securities (thirteenth resolution)**

You are asked to renew the authorisation given to the Board by the Annual General Meeting on 25 May 2000 to issue all debt securities, especially bonds and similar securities, in a maximum amount of €4,000,000,000.

In accordance with the provisions of law, you are asked to give the new authorisation for a five-year period, replacing the authorisation given by the Annual General Meeting on 25 May 2000.

**5 - Authorisation for the company to buy back its own shares or investment certificates (fourteenth resolution)**

The Board asks you to authorise it to acquire the company's own shares or investment certificates under the terms of Article L. 225-209 et seq. of the Commercial Code. The number of shares purchased may not exceed 10% of the total number of shares comprising the capital on the date the purchase is made and the number of shares held after such purchase may not exceed 10% of the capital.

This authorisation, which will replace the one given by the Annual General Meeting on 24 April 2003, is requested for a period of eighteen months and is intended to enable the company:

- to cancel the repurchased shares,
- to use repurchased shares for exchange purposes in the context of external growth transactions or for payment purposes,
- to buy or sell shares in the company so as to stabilise the share price,
- to allocate repurchased shares to employees or corporate officers of the Bouygues group, especially in the context of stock option plans,
- to buy, sell or otherwise transfer its own shares, in particular with a view to keeping them.

We ask you to allocate a maximum total amount of €1,000,000,000 to the buy-back programme.

### Resolutions within the competence of the extraordinary part of the meeting

**6 - Financial authorisations (fifteenth, sixteenth and seventeenth resolutions)**

You are asked to authorise the Board to increase the capital by issuing shares or transferable securities giving immediate or future access to shares in the company. The total nominal amount of shares that may be issued by virtue of these authorisations will be limited to €150,000,000 and that of transferable debt securities to €4,000,000,000.

These authorisations are for issues that may be carried out with or without preferential subscription rights and concern the issue of all transferable securities giving immediate or future access to a portion of the capital.

If transferable securities are issued without preferential subscription rights:

- the Board may, if it deems fit, institute a priority right in favour of shareholders and holders of investment certificates,
- the amount that is or may subsequently be due to the company for each share issued in the con-

text of this authorisation must be at least equal to the average market price on ten consecutive days chosen from among the twenty trading days preceding the issue of the securities.

For all these issues, the precise terms and conditions of each transaction shall be determined at the time the Board carries them out.

You are also asked to authorise the Board to increase the capital by incorporating reserves, earnings, premiums and other sums, by increasing the par value of shares or by allocating new shares.

These authorisations, replacing those granted by the Extraordinary General Meeting on 25 April 2002, will be granted to the Board for 26 months as of the date of the meeting.

Lastly, you are asked to authorise the Board to use the authorisations to increase the capital described above during a tender or exchange offer for the company's shares.

### 7 - Authorisation to increase the capital in favour of employees (eighteenth resolution)

You are asked to authorise the Board to increase the capital, within a limit of 10%, in favour of employees of the Bouygues group and employees of French companies linked to it within the meaning of the prevailing laws and regulations who are members of a Bouygues group company savings plan.

You are asked to cancel the preferential right of shareholders and holders of investment certificates to subscribe the shares issued in favour of the above-mentioned employees. The subscription price of the shares may not be more than 20%, or 30% in the cases where the law allows, below the average of the first listed price on the first market of Euronext Paris S.A. in the twenty trading sessions preceding the day on which the Board sets the opening date for the subscription.

You are also asked to give the Board all powers to decide the terms and conditions for such a capital increase reserved for employees.

This delegation, which will replace the one given by the Extraordinary General Meeting on 25 April 2002 and cancel it for the part not used to date, shall be valid for 26 months as of the date of the meeting.

### 8 - Authorisation for the Board to reduce the capital by cancelling treasury stock (nineteenth resolution)

Subject to the Annual General Meeting approving the resolution relating to the company's acquisition of its own shares, you are asked to authorise the Board to cancel all or some of the shares acquired in that way, up to a limit of 10% of the capital in any 24-month period.

The Board will be granted such authorisation for 18 months.

During the past year, the Board used the authorisation given to it previously as follows:

- on 17 June 2003, cancellation of 9,685,825 repurchased shares representing 2.81% of the capital at that date,
- on 16 December 2003, cancellation of 2,521,364 repurchased shares representing 0.75% of the capital at that date.

### 9 - Authorisation for the Board to grant stock options (twentieth resolution)

Pursuant to Article L. 225-177 et seq. of the Commercial Code, the Extraordinary General Meeting has sole competence to authorise the Board to grant, on one or more occasions, options giving entitlement to subscribe shares or purchase existing shares previously bought back by the company to all or some of the salaried employees and corporate officers of the company and of companies and groupings linked to it within the meaning of Article L. 225-180 of the Commercial Code.

The authorisation will set the terms and conditions for implementing such options, especially as regards the purchase and/or subscription price of the shares offered on option.

This authorisation, replacing the one granted by the Extraordinary General Meeting on 25 May 2000 in its sixteenth resolution, shall be valid for 38 months as of the date of the meeting.

### 10 - Amendment of Articles 13.6 and 15 of the by-laws (twenty-first and twenty-second resolutions)

You are asked to amend the company's by-laws to take account of the new wording, resulting from the Financial Security Act of 1 August 2003, of Articles L. 225-51 and L. 225-35 of the Commercial Code regarding the role of the Chairman of the Board of Directors and the provision to directors of the documents and information they need in order to carry out their duties.

Information about the company's business, which we have a statutory duty to provide, is contained in the report on operations that has been communicated to you.

We ask you to vote on the resolutions put to you.

The Board of Directors

## Board of Directors' special report on stock options

The Board of Directors' special report on stock options may be found at section 2, page 75 of this document.

## Chairman's report to the Annual General Meeting on the conditions for preparing and organising the Board's work and the internal control procedures introduced by the company

The Chairman's special report may be found at section 1, page 64 of this document.

# AUDITORS' REPORTS

## 1 Auditors' general report on the annual accounts

**Year ended 31 December 2003**

Ladies and Gentlemen,

In accordance with the terms of our appointment at your Annual Meeting, we hereby submit our report on our audit of the annual accounts of Bouygues for the year ended 31 December 2003 as attached to this report, and on the specific verifications and information required by law.

The annual accounts are the responsibility of the Board of Directors. Our responsibility is to express an opinion on them based on our audit.

### Opinion on the annual accounts

We conducted our audit in accordance with the prevailing standards of the profession in France. Those standards require that we plan and perform our audit to obtain reasonable assurance that the annual accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts in the accounts. An audit also includes assessing the accounting principles used and significant estimates made in the preparation of the financial statements, and evaluating their overall presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the annual accounts give a true and fair view, according to French accounting principles, of the results of operations for the year ended 31 December 2003 and of the financial situation and assets of the company at that date.

### Substantiation of our opinion

Pursuant to the provisions of Article L. 225-235 of the Commercial Code concerning substantiation of our opinion, which apply this year for the first time, we bring to your attention the following items of information which, without calling it into question, contribute to the opinion expressed above concerning the accounts as a whole.

The equity securities appearing as assets on your company's balance sheet are valued using the methods described in Note 2.3 of the notes to the financial statements. We have carried out specific assessments of the elements taken into consideration for estimating inventory values and, where relevant, verified the calculation of depreciation provisions. These assessments do not call for any particular comment on our part, as regards the methods used or the reasonable nature of the valuations or the relevance of the information provided in the notes to the financial statements.

### Specific verifications and information

We have also carried out the specific verifications required by law in accordance with the professional standards that apply in France.

We are satisfied that the information given in the Board of Directors' Management Report and in the documents provided to shareholders concerning the financial situation and annual accounts is fairly stated and agrees with the annual accounts.

As required by law, we have satisfied ourselves that information relating to acquisitions of equity and controlling interests and the identity of shareholders has been provided to you in the Management Report.

*Paris La Défense, 5 March 2004*

The Auditors

| ERNST & YOUNG AUDIT | MAZARS & GUERARD |
|---|---|
| Jean-Claude Lomberget | Michel Rosse |

## 2 Auditors' report on the consolidated financial statements

**Year ended 31 December 2003**

Ladies and Gentlemen,

In accordance with the terms of our appointment at your Annual Meeting, we have audited the consolidated financial statements of Bouygues SA for the year ended 31 December 2003 as attached to this report.

The consolidated financial statements are the responsibility of the Board of Directors. Our responsibility is to express an opinion on them based on our audit.

### Opinion on the consolidated financial statements

We conducted our audit in accordance with the prevailing standards of the profession in France. Those standards require that we plan and perform our audit to obtain reasonable assurance that the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts in the accounts. An audit also includes assessing the accounting principles used and significant estimates made in the preparation of the financial statements, and evaluating their overall presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view, according to French accounting principles, of the assets, financial situation and results of the group formed by the companies within the scope of consolidation.

### Substantiation of our opinion and observation

Pursuant to the provisions of Article L. 225-235 of the Commercial Code concerning substantiation of our opinion, which apply this year for the first time, we bring to your attention the following items of information which, without calling it into question, contribute to the opinion expressed above concerning the accounts as a whole.

Loss-of-value tests were carried out on intangible fixed assets and goodwill as described in Note 2.1.1 of the notes to the consolidated financial statements. We reviewed the methods for carrying out the tests and the assumptions on which they were based.

The provisions for liabilities and charges appearing on the balance sheet for €1,896 million were valued using the rules and methods described in Note 2.2.2 of the notes to the consolidated financial statements. In the light of the information available to date, our assessment of the provisions is based on an analysis of the processes introduced by senior management to identify and assess risks, especially those related to the construction and property businesses.

Deferred tax assets amount to €703 million as stated in Note 6 of the notes to the consolidated financial statements and mostly correspond to Bouygues Telecom's losses. We have ascertained that these amounts are recoverable in the short term on the basis of the business plan presented to us.

Your company's accounting policies are described in Note 2. As part of our assessment of those policies, we have verified that the methods and the information provided are appropriate. We are satisfied that they have been properly applied.

As stated in Note 2.2.2 of the notes to the financial statements, the application during the year of CNC recommendation 2003-R01 on the accounting treatment of pension commitments and similar benefits has had no significant impact on the consolidated accounts. We are satisfied that the change and the presentation of it are well-founded and that it has been properly applied.

### Specific verifications

We have also examined the information contained in the Board of Directors' Management Report in accordance with the prevailing standards of the profession in France. We are satisfied that the information is fairly stated and agrees with the consolidated financial statements.

*Paris La Défense, 5 March 2004*

The Auditors

**ERNST & YOUNG AUDIT**

Jean-Claude Lomberget

**MAZARS & GUERARD**

Michel Rosse

## 3 Auditors' report on the Chairman's report on internal control procedures

**Year ended 31 December 2003**

Ladies and Gentlemen,

In our capacity as auditors of Bouygues and pursuant to the provisions of the final paragraph of Article L. 225-235 of the Commercial Code, we hereby present our report on the report prepared by the Chairman of your company in accordance with the provisions of Article L. 225-37 of the Commercial Code for the year ended 31 December 2003.

Under the responsibility of the Board of Directors, management has a duty to define and implement sufficient and effective internal control procedures. The Chairman's report should describe the conditions for preparing and organising the Board's work and the internal control procedures introduced in the company.

Our responsibility is to inform you of our observations based on the information and statements contained in the Chairman's report relating to internal control procedures and the preparation and treatment of accounting and financial information.

In accordance with the practice of the profession in France, we have acquainted ourselves with the objectives and general organisation of internal controls and the internal control procedures relating to the preparation and treatment of accounting and financial information contained in the Chairman's report.

As this is the first year in which the rules introduced by Act 2003-706 of 1 August 2003 have applied, and in the absence of any recognised practice as to what the Chairman's report should contain, that report does not contain any assessment of the sufficient or effective nature of internal control procedures relating to the preparation and treatment of accounting and financial information. Consequently, the same limitation also applies to the extent of our review and the contents of our own report.

Leaving aside the above-mentioned limitation, and on the basis of existing information, we have no comment to make about the information and statements concerning the company's internal control procedures as they relate to the preparation and treatment of accounting and financial information contained in the Chairman's report prepared pursuant to the provisions of the final paragraph of Article L. 225-37 of the Commercial Code.

*Paris La Défense, 5 March 2004*

The Auditors

**ERNST & YOUNG AUDIT**

Jean-Claude Lomberget

**MAZARS & GUERARD**

Michel Rosse

**Year ended 31 December 2003**

Ladies and Gentlemen,

In our capacity as auditors of your company, we hereby submit our report on regulated agreements.

## Agreements authorised and concluded during the year

Pursuant to Article L. 225-40 of the Commercial Code, we were advised of agreements that had been previously authorised by your Board of Directors.

Our assignment is not to find out whether there may be other agreements but to inform you, on the basis of the information provided to us, of the principal features and terms of the agreements notified to us. We are not asked to give an opinion on whether they are useful or necessary. Under the terms of Article 92 of the decree of 23 March 1967, it is for you to assess the appropriateness of these agreements with a view to approving them.

We have performed our assignment in accordance with the prevailing standards of the profession in France, which require us to verify that the information given to us is consistent with the documents from which it derives.

### Common service agreements

From 1 January 2003 and for a period of one year, Bouygues concluded common service agreements under the terms of which it provides its sub-groups with services, relating in particular to management, human resources, information technology and finance.

Bouygues invoiced the following amounts in respect of these agreements in 2003:

| Subsidiary | Amount (per year excl. VAT) | Persons concerned |
|---|---|---|
| Bouygues Construction | €8,668,154 | Michel Derbesse, Yves Gabriel and Olivier Poupart-Lafarge |
| Bouygues Immobilier | €2,009,027 | Michel Derbesse and Olivier Poupart-Lafarge |
| Bouygues Telecom | €7,381,112 | Olivier Bouygues, Olivier Poupart-Lafarge and Alain Pouyat |
| Colas | €12,790,859 | Olivier Bouygues, Michel Derbesse, Alain Dupont, Patrick Le Lay and Olivier Poupart-Lafarge |
| Infomobile | €98,089 | Alain Pouyat |
| Saur | €5,785,532 | Olivier Bouygues, Michel Derbesse, Yves Gabriel and Olivier Poupart-Lafarge |
| TF1 | €5,086,400 | Patricia Barbizet, Martin Bouygues, Michel Derbesse, Patrick Le Lay, Olivier Poupart-Lafarge and Alain Pouyat |

### Service agreements

**• Use of Bouygues offices at 90, avenue des Champs-Elysées**

From 1 January 2003 and for one year, Bouygues concluded an agreement with its main subsidiaries under the terms of which it provided fully-equipped occasional offices at 90, avenue des Champs-Elysées. Bouygues invoiced the following amounts in respect of this agreement in 2003:

| Subsidiary | Amount (per year excl. VAT) | Persons concerned |
|---|---|---|
| Bouygues Bâtiment (now Bouygues Bâtiment International) | €386,000 | Yves Gabriel and Olivier Poupart-Lafarge |
| Bouygues Construction | €210,000 | Michel Derbesse, Yves Gabriel and Olivier Poupart-Lafarge |
| Bouygues Telecom | €60,000 | Olivier Bouygues, Olivier Poupart-Lafarge and Alain Pouyat |
| Bouygues Travaux Publics | €107,000 | Yves Gabriel and Olivier Poupart-Lafarge |
| Saur | €74,000 | Olivier Bouygues, Michel Derbesse, Yves Gabriel and Olivier Poupart-Lafarge |
| ETDE | €26,000 | Yves Gabriel and Alain Pouyat |
| Bouygues Immobilier | €13,000 | Michel Derbesse and Olivier Poupart-Lafarge |

**• Investor relations services for Bouygues Construction, Colas and TF1 provided by the general secretariat of the Bouygues group**

From 1 January 2003 and for one year, Bouygues concluded an agreement to provide investor relations services with Bouygues Construction, Colas and TF1. Bouygues invoiced the following amounts in respect of this agreement in 2003:

| Subsidiary | Amount (per year excl. VAT) | Persons concerned |
|---|---|---|
| Bouygues Construction | €35,000 | Michel Derbesse, Yves Gabriel and Olivier Poupart-Lafarge |
| TF1 | €60,000 | Patricia Barbizet, Martin Bouygues, Michel Derbesse, Patrick Le Lay, Olivier Poupart-Lafarge and Alain Pouyat |

**• Use of two aircraft owned by the Bouygues group**

From 1 January 2003 and for one year, Bouygues concluded an agreement with its main subsidiaries for use of its aircraft, billed for 2003 as follows:

- either on the basis of €2,500 excl. VAT per flight hour for companies which pay an annual fee to the owner for use of the aircraft unserviced,
- or on the basis of €5,000 excl. VAT per flight hour.

Bouygues invoiced the following amounts in respect of this agreement in 2003:

| Subsidiary | Amount (per year excl. VAT) | Persons concerned |
|---|---|---|
| Bouygues Construction | €246,354 | Michel Derbesse, Yves Gabriel and Olivier Poupart-Lafarge |
| Bouygues Bâtiment International | €37,187 | Yves Gabriel and Olivier Poupart-Lafarge |
| Bouygues Travaux Publics | €13,542 | Yves Gabriel and Olivier Poupart-Lafarge |
| Bouygues Immobilier | €4,583 | Michel Derbesse and Olivier Poupart-Lafarge |
| Bouygues Telecom | €162,708 | Olivier Bouygues, Olivier Poupart-Lafarge and Alain Pouyat |
| Eurosport | €155,417 | Olivier Bouygues |
| TF1 | €810,833 | Patricia Barbizet, Martin Bouygues, Michel Derbesse, Patrick Le Lay, Olivier Poupart-Lafarge and Alain Pouyat |
| Saur | €142,279 | Olivier Bouygues, Michel Derbesse, Yves Gabriel and Olivier Poupart-Lafarge |
| Saur International | €40,637 | Olivier Bouygues |
| Colas | €392,708 | Olivier Bouygues, Michel Derbesse, Alain Dupont, Patrick Le Lay and Olivier Poupart-Lafarge |

### Trade mark licence agreement between Bouygues and Bouygues Bâtiment International and Bouygues Bâtiment Ile-de-France

Following Bouygues Bâtiment's contribution on 1 June 2003 of its building business in Ile-de-France to Bouygues Bâtiment Ile-de-France and the subsequent change to the name of Bouygues Bâtiment International, Bouygues concluded the following agreements.

**• With Bouygues Bâtiment International, a supplement to the trade mark licence agreement of 21 December 2000 granting it the right:**

- to use Bouygues Bâtiment trade marks in certain foreign countries,
- to use Minorange ellipse trade marks in France and the above-mentioned foreign countries,
- to use the Bouygues Bâtiment company name and trade name worldwide.

**• With Bouygues Bâtiment Ile-de-France, a licence agreement granting it:**

- an exclusive right to use the Bouygues Bâtiment trade mark in France,
- a non-exclusive right to use the Bouygues Bâtiment company name and trade name in France,
- a non-exclusive right to use the Minorange ellipse trade mark in France in conjunction with the Bouygues Bâtiment name,
- a right to use the Bouygues Bâtiment company name and trade name.

Bouygues invoiced the following amounts in respect of this agreement in 2003:

| Subsidiary | Amount (per year excl. VAT) | Persons concerned |
|---|---|---|
| Bouygues Bâtiment International | €6,708 | Yves Gabriel and Olivier Poupart-Lafarge |
| Bouygues Bâtiment Ile-de-France | €15,550 | Yves Gabriel |

### Sale of offices and furniture at 90, avenue des Champs-Elysées

A deed of sale was signed on 10 September 2003 with SCI des Travaux Publics du 90, avenue des Champs-Elysées (represented by the FNTP) for the Bouygues offices situated at 90, avenue des Champs-Elysées in connection with the prospective transfer of the Group's headquarters to avenue Hoche. The furniture at 90, avenue des Champs-Elysées was sold directly to the FNTP, the future occupant of the premises, by a deed of 10 September 2003. The sale price is €10,400,000 for the offices and €100,000 for the furniture.

Bouygues will be entitled to use the offices and furniture until 30 June 2006 at the latest.

Bouygues invoiced the following amounts in respect of this sale in 2003:

- SCI des Travaux publics du 90 avenue des Champs-Elysées: €10,400,000
- FNTP: €100,000

*Persons concerned:*
*Michel Derbesse, Alain Dupont, Yves Gabriel.*

### Pledge of Bouygues Telecom shares bought from E.ON and of shareholder loans transferred by E.ON to Bouygues

In the context of Bouygues' purchase from E.ON of its equity interest in Bouygues Telecom, the Bouygues Telecom shares bought from E.ON and the shareholder loans transferred from E.ON to Bouygues have been pledged to the lenders who granted Bouygues Telecom a €2,287 million bank loan.

*Persons concerned:*
*Georges Chodron de Courcel and Jean Peyrelevade.*

### Pledge of Bouygues Telecom shares bought from SFPG and of shareholder loans transferred by SFPG to Bouygues

In the context of Bouygues' purchase from SFPG of its equity interest in Bouygues Telecom, the Bouygues

Telecom shares bought from SFPG and the shareholder loans transferred from SFPG to Bouygues have been pledged to the lenders who granted Bouygues Telecom a €2,287 million bank loan.

*Persons concerned:*
*Georges Chodron de Courcel and Jean Peyrelevade.*

#### Merger of BDT and Bouygues Telecom

The Bouygues Telecom shares allocated to Bouygues and the Bouygues shareholder loans transferred to Bouygues Telecom on the merger of BDT and Bouygues Telecom have been pledged to the lenders who granted Bouygues Telecom a €2,287 million bank loan.

In the context of the merger of BDT and Bouygues Telecom, the loans granted by Bouygues to BDT have been amended, with Bouygues Telecom's consent, and transformed into subordinated equity loans subject to the same terms and conditions as those that already exist between Bouygues and Bouygues Telecom.

*Persons concerned:*
*Olivier Bouygues, Georges Chodron de Courcel, Jean Peyrelevade, Olivier Poupart-Lafarge and Alain Pouyat.*

#### Casablanca Mosque

In view of the deterioration of certain immersed parts of the Casablanca Great Mosque, in December 2003 Bouygues and Bouygues Bâtiment International concluded an agreement concerning the handling of the affair. Bouygues, which has a particular interest in seeing that the affair is well-handled due to the exceptional nature of the project, has decided to support its subsidiary in so far as is necessary.

No payments were made in respect of this agreement in 2003.

*Persons concerned:*
*Yves Gabriel, Olivier Poupart-Lafarge.*

## Agreements approved in previous years which continued to be effective in 2003

In accordance with the decree of 23 March 1967, we were informed that the following agreements, approved in previous years, continued to be effective in 2003.

#### Reciprocal advances between Bouygues and its subsidiaries generating interest charges

Advances by Bouygues to its subsidiaries generated interest charges of €21,642,027 at rates lower than the tax-deductible maximum (5.05%) for advances in euros.

#### Guarantees

**• Continuation of guarantees given by Bouygues to Crédit Lyonnais**

The agreement concerning guarantees given by Bouygues on behalf of CCIB, a Romanian limited liability company, concerns CCIB's reimbursement of the following loans:

- an aggregate amount of €1,219,592 in respect of the long-term credit agreement;
- €370,451 plus interest, expenses and fees in respect of the long-term supplementary loan.

**• Continuation of guarantees given by Bouygues to TF1 International**

In the context of the disposal of Ciby Droits Audiovisuels, Bouygues gave a counter-guarantee for commitments assumed by Fiducine with regard to TF1 International.

**• Continuation of guarantees given by Bouygues to Bouygues Bâtiment (now Bouygues Bâtiment International)**

In January 1998, Bouygues concluded a concession agreement relating to an equestrian club project in Jeddah (Saudi Arabia). Following the spin-offs in June 1999, one result of which was to substitute Bouygues Bâtiment for Bouygues, the two companies concluded an agreement in order to amend the clauses relating to joint and several liability.

#### BDT support agreements

Until the merger of BDT and Bouygues Telecom on 17 June 2003, effective retroactively from 1 January 2003, Bouygues provided BDT with strategic, financial, legal, accounting and labour relations support, particularly in the form of participation in the work carried out by Bouygues Telecom committees and specific consulting services.

€6,850 excl. VAT was invoiced in respect of such services in 2003.

#### Trade mark licence agreements

**• With Bouygues Construction, Bouygues Bâtiment International, Bouygues Travaux Publics, Bouygues Immobilier**

Bouygues concluded trade mark licence agreements in 2000 with Bouygues Construction, Bouygues Bâtiment, Bouygues Travaux Publics and Bouygues Immobilier, in particular so as to give them:

- the right to use respectively the Bouygues Construction, Bouygues Bâtiment, Bouygues Travaux Publics and Bouygues Immobilier trade marks, company names and trade names;
- the right for companies in the Construction branch to use the Minorange ellipse.

Bouygues billed the following amounts under these agreements in 2003:

| | Amount in € excl. VAT |
|---|---|
| Bouygues Construction | 36,283 |
| Bouygues Travaux Publics | 15,855 |
| Bouygues Immobilier | 16,464 |

(Bouygues Bâtiment: see above)

**• With Bouygues Telecom**

Bouygues concluded a trade mark licence agreement with Bouygues Telecom in 1996, followed by supplementary agreements in 1997 and 2001, granting it the following rights:

- an exclusive licence to use the Bouygues Telecom trade mark in France, in respect of which Bouygues invoiced €15,245 excl. VAT in 2003;
- exclusive licences to use Bouygues Telecom trade marks in 99 foreign countries, in respect of which Bouygues invoiced €30,185 excl. VAT in 2003;
- an exclusive licence to use the Bouygtel trade mark in France, in respect of which Bouygues invoiced €15,245 excl. VAT in 2003;
- a non-exclusive licence to use the Bouygnet trade mark in France, in respect of which Bouygues invoiced €1,524 excl. VAT in 2003.

#### Sponsorship agreement between Bouygues and ARSEP

The sponsorship agreement between Bouygues and ARSEP concluded on 18 December 2002 for the purposes of raising funds to carry out a project called EDMUS to computerise data on multiple sclerosis sufferers continued in 2003.

€38,500 excl. VAT was paid in respect of the agreement.

#### Research and consulting agreement between Bouygues and TF1 Publicité

The research and consulting agreement concluded on 5 November 2002 continued in 2003. The agreement allows TF1 to use the services of Bouygues' e-Lab in the context of the provision of technical support services for the creation and optimisation of advertising products and services offered by the advertising division, the modelling and testing of algorithms for the optimum filling of advertising slots and the creation and right-sizing of packaged advertising products and services.

€94,000 excl. VAT was invoiced in respect of the agreement.

**Other agreements**

**• With Bouygues Construction**

Bouygues concluded a 3, 6, 9-year sub-lease agreement with Bouygues Construction as of 1 January 2000 relating to approx. 5,000 sq. m. of the Challenger site.

€3,293,141 excl. VAT was invoiced in respect of this agreement in 2003.

*Paris La Défense, 5 March 2004*

The Auditors

| ERNST & YOUNG AUDIT | MAZARS & GUERARD |
|---|---|
| Jean-Claude Lomberget | Michel Rosse |

## 5 Auditors' special report on the granting of stock options to corporate officers and/or employees of the company or of group companies

**Annual General Meeting on 22 April 2004**

Ladies and Gentlemen,

We have prepared this report on the granting of stock options to corporate officers and/or employees of the company or of group companies in our capacity as auditors of Bouygues and in performance of the duties set forth at Article L. 225-177 of the Commercial Code and Article 174-19 of the decree of 23 March 1967.

It is the Board's responsibility to draw up a report on the reasons for granting stock options and the proposed terms and conditions for setting the subscription or purchase price. Our responsibility is to express an opinion on the proposed terms and conditions for setting the subscription or purchase price.

We have conducted our assignment in accordance with the prevailing standards of the profession in France. Those standards require that we satisfy ourselves that the proposed terms and conditions for setting the subscription or purchase price are mentioned in the Board's report, that they comply with the prevailing laws and regulations, such as to enlighten shareholders, and that they are not clearly inappropriate.

We have no comment to make on the proposed terms and conditions.

*Paris La Défense, 5 March 2004*

The Auditors

| ERNST & YOUNG AUDIT | MAZARS & GUERARD |
|---|---|
| Jean-Claude Lomberget | Michel Rosse |

# 6 Auditors' report on reduction of the capital by cancellation of shares

**Annual General Meeting on 22 April 2004**

Ladies and Gentlemen,

In our capacity as auditors of Bouygues, and in performance of the duties set forth at Article L. 225-209, paragraph 4 of the Commercial Code in the event of a reduction of capital by cancellation of repurchased shares, we have prepared this report to inform you of our assessment of the reasons for and conditions of the proposed transaction.

We have conducted our assignment in accordance with the prevailing standards of the profession in France and have duly assessed the lawful nature of the reasons for and conditions of the capital reduction.

The transaction is planned in the context of your company's repurchase of its own shares, up to 10% of the capital, under the conditions set forth at Article L. 225-209, paragraph 4 of the Commercial Code. You are asked to approve the authorisation at your Annual General Meeting. Should you do so, it will be valid for 18 months.

Your Board asks you to give it all powers, for an 18-month period, to cancel shares bought under the terms of the various authorisations allowing your company to buy back its own shares, up to a limit of 10% of the capital per 24-month period.

We have no comment to make on the reasons for and conditions of the envisaged capital reduction, bearing in mind that for any shares acquired by virtue of the authorisation contained in the fourteenth resolution, the capital cannot be reduced unless you have previously approved that resolution.

*Paris La Défense, 5 March 2004*

The Auditors

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|---|---|
| **ERNST & YOUNG AUDIT** | **MAZARS & GUERARD** |
| Jean-Claude Lomberget | Michel Rosse |

## 7 Auditors' special report on authorisations to increase the capital and to issue transferable securities

**Annual General Meeting on 22 April 2004**

Ladies and Gentlemen,

In our capacity as auditors of Bouygues, and in performance of the duties set forth at Articles L. 225-135, L. 225-129 III and L. 228-92 of the Commercial Code, we hereby submit our report on the authorisations requested by your Board of Directors, with the option of delegating such powers to the Chairman, enabling it for a period of twenty-six months from the date of this meeting to increase the share capital on one or more occasions, with or without cancellation of preferential subscription rights:

- by the issue, in euros or foreign currency or any other monetary unit established with reference to several currencies, of shares or transferable securities of whatsoever type giving immediate or future access, at any time or at a fixed date, to shares in the company by way of subscription, conversion, exchange, redemption, presentation of a warrant or in any other way;
- or by incorporation into the authorised capital of premiums, reserves, earnings or other sums, where such incorporation is allowed by law and the company's by-laws, by creating and allocating bonus shares or by raising the par value of existing shares or both;
- up to a maximum nominal amount of one hundred and fifty million euros (€150,000,000) in the event of a share issue (in the event of incorporation of premiums, reserves, earnings or other sums, the amount of the resulting capital increases will be added to the above-mentioned maximum amount) and up to a maximum nominal amount of four billion euros (€4,000,000,000) in the event of an issue of debt securities.

In addition, your Board of Directors asks you, under the conditions set forth in the seventeenth resolution to maintain these powers in the event of a tender offer for the company's securities, for a period expiring at the Annual General Meeting called to approve the accounts for 2004.

The main characteristics of these powers are as follows.

- If the preferential subscription right is maintained, the Board of Directors will be responsible for deciding the terms and conditions of the transactions, including in particular the price and conditions of issue.
- If the preferential subscription right is cancelled, the Board of Directors may, for all or some of an issue, grant shareholders and holders of investment certificates a priority subscription right for a period and under the conditions that it shall decide, for all or some of an issue. Such priority subscription right shall not result in the creation of negotiable rights but may be exercised on an irreducible or reducible basis should the Board deem fit.

Pursuant to the provisions of Article 225-136, paragraph 2 of the Commercial Code, the issue price of shares issued in this way, taking into consideration the issue price of stand-alone share warrants, if any, shall be at least equal to the average of the opening market price of the company's share on ten consecutive trading days chosen from the twenty trading days immediately preceding the issue of the transferable securities concerned, after adjustment of such average for any difference in the dates at which the securities carry dividend rights.

Your Board has asked the holders of investment certificates, previously called to a Special Meeting, to waive their preferential subscription right.

Your Board has asked the holders of bonds convertible for new shares or exchangeable for existing shares issued in the context of the Bouygues 1.70% - 1996/2006 bond issue to give their prior approval to the cancellation of preferential subscription rights.

We have conducted our assignment in accordance with the prevailing standards of the profession in France. Those standards require that we take the necessary steps to verify the terms and conditions for setting the issue price of the equity securities to be issued.

Without prejudice to subsequent review of the conditions for the proposed capital increases, we have no comment to make on the method for determining the issue price set forth in the Board of Directors' report.

As the price for equity securities to be issued has not been fixed, we express no opinion on the final conditions under which the transactions are carried out, and consequently on the proposed cancellation of the preferential subscription right for certain issues, though the principle of such cancellation is in keeping with the rationale of some of the transactions submitted to you for approval.

In accordance with Article 155.2 of the decree of 23 March 1967, we shall draw up a supplementary report when the Board of Directors or the Chairman carries out these transactions.

*Paris La Défense, 5 March 2004*

The Auditors

**ERNST & YOUNG AUDIT**

Jean-Claude Lomberget

**MAZARS & GUERARD**

Michel Rosse

## 8 Auditors' special report on capital increases with cancellation of shareholders' preferential subscription right reserved for employees that are members of a corporate savings plan

**Annual General Meeting of 22 April 2004**

Ladies and Gentlemen,

In our capacity as auditors of your company and pursuant to the provisions of Article L. 225-135 of the Commercial Code, we hereby submit our report on the authorisations requested by the Board of Directors enabling it to carry out one or more capital increases in a maximum nominal amount of €150,000,000 per issue of shares reserved for Bouygues employees and employees of French or foreign affiliates who are members of a corporate savings scheme, a transaction which you are asked to approve.

Your approval is required for such capital increases pursuant to Article L. 225-129 VII of the Commercial Code and Article L. 443-5 of the Labour Code.

Your Board of Directors has asked you to grant it powers, with the option of delegating them to the Chairman, that will enable it, within a period of twenty-six months, to carry out one or more capital increases under the restrictive conditions set forth above.

Your Board of Directors has asked the holders of investment certificates, previously called to a Special Meeting, to waive their preferential subscription right.

Your Board of Directors has asked the holders of bonds convertible for new shares or exchangeable for existing shares issued in the context of the Bouygues 1.70% - 1999/2006 bond issue to give their prior approval to the cancellation of preferential subscription rights.

Adoption of this resolution entails a waiver by the shareholders of their preferential subscription right in favour of the employees for whom the capital increase is reserved.

We have conducted our assignment in accordance with the prevailing standards of the profession in France. Those standards require that we take the necessary steps to verify the terms and conditions for setting the issue price of the equity securities to be issued.

Without prejudice to subsequent review of the conditions for the proposed capital increases, we have no comment to make on the method for determining the issue price set forth in the Board of Directors' report.

As the issue prices for the shares have not been fixed, we express no opinion on the final conditions under which the transactions will be carried out.

In accordance with Article 155-2 of the decree of 23 March 1967, we shall draw up a supplementary report when the Board of Directors carries out these transactions.

*Paris La Défense, 5 March 2004*

The Auditors

**ERNST & YOUNG AUDIT**

Jean-Claude Lomberget

**MAZARS & GUERARD**

Michel Rosse

# DRAFT RESOLUTIONS

## 1 Ordinary part

### FIRST RESOLUTION

*(Approval of the parent company accounts for 2003 and discharge of directors)*

The Annual Meeting, taking its decision under the quorum and majority voting conditions for ordinary shareholders' meetings, having acquainted itself with the Board of Directors' annual report on the company's business and situation in 2003 and the auditors' report on the conduct of their assignment, approves the company accounts as at 31 December 2003 as presented, showing net earnings of €216,422,001.36, and the transactions recorded in the accounts or summarised in the reports.

The Annual Meeting gives the directors full discharge.

### SECOND RESOLUTION

*(Approval of the consolidated financial statements for 2003)*

The Annual Meeting, taking its decision under the quorum and majority voting conditions for ordinary shareholders' meetings, having acquainted itself with the Board of Directors' annual report on the group's business and situation in 2003, the auditors' report on the consolidated financial statements and the auditors' report on the Chairman's report, approves the consolidated financial statements as at 31 December 2003 as presented, showing net earnings attributable to the Group of €450 million, and the transactions recorded in the accounts or summarised in the reports.

### THIRD RESOLUTION

*(Appropriation of earnings, amount of dividend)*

The Annual Meeting, having acquainted itself with the Board of Directors' report, noting that distributable earnings amount to €219,302,777.88, decides:

- to appropriate €5,437,937 to the special long-term capital gains reserve,
- to distribute a first net dividend (5% of par) of €0.05 per share or per investment certificate, representing a total amount of €16,659,998.45,
- to distribute an additional net dividend of €0.45 per share or per investment certificate of €1 par, representing a total amount of €149,939,986.05,
- to carry over the remainder in the amount of €47,264,856.38.

The dividend (€0.50 net per share and per investment certificate, plus a tax credit of €0.25 on the basis of a 50% rate, will be paid in cash from 29 April 2004.

Should the company hold some of its own stock when the dividend is distributed, the sum corresponding to the amount of dividend not paid because of the nature of such stock shall be allocated to retained earnings.

The Annual Meeting notes that the Board of Directors has fulfilled its statutory obligation to recapitulate the dividends distributed in the last three years and the related tax credits.

| | 2000 | 2001 | 2002 |
|---|---|---|---|
| Number of shares | 332,694,688 | 343,751,379 | 344,361,919 |
| Dividends | 0.36 € | 0.36 € | 0.36 € |
| Tax credit (1) | 0.18 € | 0.18 € | 0.18 € |
| Total dividend per share | 0.54 € | 0.54 € | 0.54 € |
| Total dividend | 119,770,087.68 € | 122,306,699.16 € | 121,089,514.32 € |

(1) On the basis of a 50% rate.

### FOURTH RESOLUTION

*(Agreements referred to at Article L. 225-38 of the Commercial Code)*

The Annual Meeting, taking its decision under the quorum and majority voting conditions for ordinary shareholders' meetings and pursuant to the provisions of Article L. 225-40 of the Commercial Code, having acquainted itself with the auditors' special report on agreements referred to at Article L. 225-38 of the Commercial Code, approves the agreements mentioned therein.

### FIFTH RESOLUTION

*(Ratification of the co-option of a director)*

The Annual Meeting, taking its decision under the quorum and majority voting conditions for ordinary shareholders' meetings, ratifies the co-option as a director by the Board of Directors at its meeting on 9 September 2003 of Mr. Charles de Croisset, residing at 31, rue de Bellechasse, 75007 Paris, in place of Mr. Alain Pouyat for the remainder of his term of office, expiring on conclusion of this meeting.

### SIXTH RESOLUTION

*(Ratification of the co-option of a director)*

The Annual Meeting, taking its decision under the quorum and majority voting conditions for ordinary shareholders' meetings, ratifies the co-option as a director by the Board of Directors at its meeting on 16 December 2003 of Mr. Thierry Jourdaine, residing at 9, Boulevard Abel Cornaton, 91290 Arpajon, in place of Mr. Daniel Devillebichot for the remainder of his term of office, expiring on conclusion of the annual meeting called to approve the accounts for 2004.

### SEVENTH RESOLUTION

*(Renewal of a director's term of office)*

The Annual Meeting, taking its decision under the quorum and majority voting conditions for ordinary shareholders' meetings, notes that the directorship of Mr. Charles de Croisset, residing at 31, rue de Bellechasse, 75007 Paris, expires on this day and renews his directorship for a six-year term expiring on conclusion of the annual meeting called to approve the accounts for 2009.

### EIGHTH RESOLUTION

*(Renewal of a director's term of office)*

The Annual Meeting, taking its decision under the quorum and majority voting conditions for ordinary shareholders' meetings, notes that the directorship of Mr. Yves Gabriel, residing at 21 bis rue de Choisel, 78460 Chevreuse, expires on this day and renews his directorship for a six-year term expiring on conclusion of the annual meeting called to approve the accounts for 2009.

### NINTH RESOLUTION

*(Renewal of a director's term of office)*

The Annual Meeting, taking its decision under the quorum and majority voting conditions for ordinary shareholders' meetings, notes that the directorship of Financière Pinault, having its registered office at 12, rue François 1er, 75008 Paris, expires on this day and renews its directorship for a six-year term expiring on conclusion of the annual meeting called to approve the accounts for 2009.

### TENTH RESOLUTION

*(Appointment of a new director)*

The Annual Meeting, taking its decision under the quorum and majority voting conditions for ordinary shareholders' meetings, appoints Mr. Alain Pouyat, residing at 28, rue Sainte Anne, 78000 Versailles, to a directorship for a six-year term expiring on conclusion of the annual meeting called to approve the accounts for 2009.

## ELEVENTH RESOLUTION

*(Renewal of a statutory auditor's term of office)*

The Annual Meeting, taking its decision under the quorum and majority voting conditions for ordinary shareholders' meetings, notes that the term of office as statutory auditor of Mazars & Guérard, domiciled at 39, rue de Wattignies, 75012 Paris, expires on this day and renews its term of office for a six-year term expiring on conclusion of the annual meeting called to approve the accounts for 2009.

## TWELFTH RESOLUTION

*(Renewal of an alternate auditor's term of office)*

The Annual Meeting, taking its decision under the quorum and majority voting conditions for ordinary shareholders' meetings, notes that the term of office as alternate auditor of Mr. Thierry Colin expires on this day and renews his term of office for a six-year term expiring on conclusion of the annual meeting called to approve the accounts for 2009.

## THIRTEENTH RESOLUTION

*(Delegation of powers to the Board to issue all debt securities, especially bonds and similar securities)*

The Annual Meeting, taking its decision under the quorum and majority voting conditions for ordinary shareholders' meetings, having acquainted itself with the Board of Directors' report, authorises the Board, at its own discretion, on one or more occasions, to create and issue all debt securities (especially bonds or similar securities such as subordinated, redeemable or perpetual securities) up to a maximum nominal amount of €4,000,000,000 (four billion euros) or the equivalent thereof, denominated in euros or foreign currency or any other monetary unit established with reference to several currencies, with or without mortgage security or other security, in the proportions and forms and at such times, rates and conditions of issuance and amortisation as it may deem fit.

The Annual Meeting grants the Board all powers to make such security issues. The Board shall be entirely free to determine the conditions thereof and to decide all the characteristics of the securities. In particular, bonds or similar securities may bear interest at a fixed or floating rate and include a fixed or floating redemption premium over par, such premium being in addition to the maximum amount of €4,000,000,000 (four billion euros) referred to above.

In the context of this resolution, pursuant to Article 228-41 of the Commercial Code, the Board may delegate all or some of the powers bestowed on it by this authorisation to its Chairman or one of its members.

The Board may in addition delegate all powers, take all measures and carry out all formalities required by such issue(s).

This authorisation, valid for five years, cancels and replaces, for unused amounts and for the time remaining, the authorisation given to the Board in the thirteenth resolution of the Annual General Meeting on 25 May June 2000.

## FOURTEENTH RESOLUTION

*(Authorisation given to the Board with a view to enabling the company to buy back its own shares and investment certificates)*

The Annual Meeting, taking its decision under the quorum and majority voting conditions for ordinary shareholders' meetings, having acquainted itself with the Board of Directors' report and the information contained in the notice certified by the Autorité des Marchés Financiers, and pursuant to the provisions of Article L.225-209 et seq. of the Commercial Code, authorises the Board to buy the company's own shares or investment certificates up to a limit of 10% of the authorised capital on the date on which the buy-back programme is used.

Shares may be bought on a decision of the Board with a view to:

- cancelling the repurchased shares, subject to specific authorisation from the extraordinary shareholders' meeting;
- using repurchased shares for exchange, payment or other purposes, in particular in the context of financial or external growth transactions or on the issuance of securities giving access to the capital;
- stabilising the company's share price on the market by systematically buying against the trend;
- selling repurchased shares according to the market situation;
- allocating repurchased shares to company or Group employees or officers under the terms and conditions laid down by law, in particular in the framework of profit-sharing schemes, stock option schemes and all corporate savings plans and intercompany savings schemes;
- keeping or, where relevant, disposing of or transferring repurchased shares by all means.

Investment certificates may be purchased on a decision of the Board with a view to keeping them or, where relevant, disposing of them or transferring them by all means or with a view to reconstituting shares.

Shares or investment certificates may be acquired in compliance with the prevailing regulations by all means, in particular on the market or by private contract, including by way of derivatives and at any time (in particular during a tender offer, within the limits allowed by stock exchange regulations). There is no limit on the part of the programme that may be carried out by block trading.

The Board will operate under the following terms:

- maximum purchase price: €50 per share or investment certificate,
- minimum sale price: €20 per share or investment certificate,

subject to adjustment in connection with any future transactions involving the company's capital.

The maximum amount of funds earmarked for the programme to buy back stock shall be €1,000,000,000 (one billion euros).

With a view to availing itself of the present authorisation, the Board of Directors is granted all powers, especially to assess whether it is appropriate to begin a buy-back programme and to decide the terms and conditions thereof. The Board may delegate such powers so as to place all stock market orders, conclude all agreements, in particular with a view to keeping registers of purchases and sales of shares, make all declarations to the Autorité des Marchés Financiers or any other body, carry out all other formalities and in general do all that is necessary.

The Board, in its report to the Annual General Meeting, will provide shareholders with information about any purchases, transfers, disposals or cancellations of shares carried out in this way.

This authorisation is given for a period of 18 months from the date of this meeting. It cancels any previous delegation of powers of the same kind, in particular the authorisation granted in the fourteenth resolution adopted by the Annual General Meeting on 24 April 2003.

## 2 Extraordinary part

### FIFTEENTH RESOLUTION

*(Delegation of powers to the Board to increase the authorised capital, by issuing either shares or transferable securities giving immediate or future access to shares, preserving the preferential subscription right, or by incorporating premiums, reserves, earnings or other sums)*

The Annual Meeting, taking its decision under the quorum and majority voting conditions for extraordinary shareholders' meetings, having acquainted itself with the Board of Directors' report and the auditors' special report, pursuant to the provisions of the Commercial Code, especially Article L. 225-129 III thereof:

**1.** Delegates to the Board the necessary powers to increase the authorised capital, on one or more occasions, in such proportion and at such time(s) as it may deem fit:

**a)** by issuing, on the French or international market, in euros or foreign currency or any other monetary unit established with reference to several currencies, shares in the company or transferable securities of whatsoever type (including stand-alone share warrants) giving immediate or future access, at any time or at a fixed date, to shares in the company by way of subscription, conversion, exchange, redemption, presentation of a warrant or in any other way,

**b)** by incorporating premiums, reserves, earnings or other sums into the authorised capital, where such incorporation is allowed by law and the company's by-laws, by creating and allocating bonus shares or by raising the par value of existing shares or both.

**2.** Grants the present powers for twenty-six months from the date of this meeting.

**3.** Decides to limit as follows the amount of authorised issues should the Board make use of the powers delegated to it hereby:

**a)** in the event of a capital increase by way of an issue referred to at paragraph 1(a) above:

the maximum nominal amount of the shares issued in this way, whether directly or on presentation of equity or debt securities, may not exceed €150,000,000 (one hundred and fifty million euros) or the equivalent thereof in another currency, including the total nominal value of shares that it may be necessary to issue in order to preserve the statutory rights of the holders of such securities. The nominal amount of shares issued directly or indirectly pursuant to the sixteenth resolution put to this meeting will be deducted from such amount. The amount of capital increases resulting from incorporation of premiums, reserves, earnings or other sums will be added to the amount of the ceiling set forth above,

**b)** the maximum nominal amount of debt securities that may be issued under the powers referred to in paragraph 1(a) above may not exceed €4,000,000,000 (four billion euros) or the equivalent thereof in another currency. The amount of debt security issues carried out pursuant to the sixteenth resolution will be deducted from such amount.

**4.** Should the Board make use of the powers delegated to it hereby, in the context of issues referred to at paragraph 1(a) above:

**a)** decides that the issue or issues shall be reserved by preference for holders of shares and investment certificates, who may subscribe on an irreducible basis,

**b)** empowers the Board to institute a reducible subscription right,

**c)** decides that if irreducible or, where applicable, reducible subscriptions do not exhaust the entire issue, the Board may make use of one of the following options, under the conditions set forth by law and in such order as it may decide:

- it may limit the capital increase to the amount subscribed, provided that such amount represents at least three-quarters of the previously decided increase,
- it may freely distribute all or some of the unsubscribed issued securities,
- it may make a public offering of all or some of the unsubscribed issued securities on the French or international market,

**d)** acknowledges and decides, as necessary, that the present decision constitutes an automatic and express waiver by holders of shares and investment certificates in favour of the holders of the issued securities of their preferential right to subscribe the shares to which such issued securities will give entitlement and decides to cancel the preferential right of holders of shares or investment certificates to subscribe shares issued as a result of the conversion of bonds or exercise of warrants,

**e)** decides that the company may issue share warrants either by way of subscription under the conditions set forth above or by allocation free of charge to the holders of existing shares or investment certificates,

**f)** decides that the amount of the consideration that is or may subsequently be due to the company in respect of each issued share shall be at least equal to the par value thereof.

**5.** Decides that the Board shall have all powers, with the option of delegating them to its Chairman under the conditions provided by law, to use the present delegation, in particular in order to:

**a)** decide the terms and conditions of the capital increase or issue,

**b)** as regards any issue carried out under the conditions set forth at paragraph 1(a) above using the present powers:

- to decide the dates and terms of issues and the form and characteristics of transferable securities to be created; to decide the price and conditions of issues; to decide amounts to be issued; to decide the date from which securities to be issued shall bear interest or dividends, including retroactively, and where appropriate the conditions for their repurchase on the stock market; to suspend where appropriate exercise of allocation rights attached to the securities to be issued for a period not exceeding three months; to decide as appropriate the conditions under which the rights of holders of securities giving future access to the authorised capital are maintained, in accordance with the laws and regulations; to make all deductions from share premiums as appropriate, and in particular to deduct costs arising from the issuance of securities; in general to take all appropriate steps and conclude all agreements to ensure that the planned issues proceed smoothly; to note any capital increase resulting from any issue undertaken using the present powers and to amend the by-laws accordingly,
- in the event of issues of debt securities, to decide whether or not they should be subordinated and to decide their rate of interest, their maturity, the redemption price, whether fixed or floating, with or without a premium, the terms of amortisation according to market conditions, and the conditions under which such securities give entitlement to the company's shares or investment certificates;

**c)** as regards any incorporation into the authorised capital of premiums, reserves, earnings or other sums referred to at paragraph 1(b) above:

- to decide the amount and nature of sums to be incorporated into the authorised capital, to decide the number of new shares and/or investment certificates to be issued or the amount by which the par value of existing shares and investment certificates comprising the authorised capital shall be increased, to decide the date from which the new shares and/or investment certificates shall carry dividend rights or at which the increase in par value shall take effect, including retroactively,

- to decide as appropriate that fractional rights shall not be negotiable and that the corresponding securities shall be sold, the revenues from such sale being allocated to the holders of the rights at the latest thirty days after the date on which the whole number of allocated securities is registered in their account.

In accordance with Article L.228-33 of the Commercial Code, new investment certificates will be created and remitted free of charge to the owners of existing certificates in proportion to the number of new shares allocated to existing shares, unless they waive their right in favour of all holders or some of them only.

The voting certificates corresponding to the new investment certificates will be allocated to the holders of existing voting certificates in proportion to their rights, except in the event of a waiver on their part in favour of all holders or some of them only.

Given that certificates representing less than one voting right cannot be allocated, fractional rights will be allocated as in the case of a cash capital increase referred to in paragraph 1(a) above;

**d)** in general to conclude all agreements, take all steps and carry out formalities to make the corresponding capital increase(s) final and to amend the by-laws accordingly.

**6.** Decides that the present authorisation shall invalidate any previous authorisation of the same type, in particular the one given by the Annual General Meeting on 25 April 2002 in its eleventh resolution.

The Annual Meeting notes that holders of investment certificates, at a special meeting held on this date, have expressly waived their preferential subscription right.

The Annual Meeting notes that holders of bonds convertible for new shares or exchangeable for existing shares issued in the context of the Bouygues 1.70% - 1996/2006 bond issue, meeting on 16 April 2004, have expressly approved the cancellation of the preferential subscription rights referred to in this resolution.

## SIXTEENTH RESOLUTION

*(Delegation of powers to the Board to increase the authorised capital by issuing shares or transferable securities giving immediate or future access to shares, with cancellation of the preferential subscription right)*

The Annual Meeting, taking its decision under the quorum and majority voting conditions for extraordinary shareholders' meetings, having acquainted itself with the Board of Directors' report and the auditors' special report, pursuant to the provisions of the Commercial Code, especially Article L. 225-129 III, paragraph 3 and Articles L. 225-148, L. 225-150 and L. 228-93 thereof:

**1.** Delegates to the Board the necessary powers to issue or cause to be issued, on one or more occasions, in such proportion and at such time(s) as it may deem fit, on the French or international market, by way of public offering, in euros or foreign currency or any other monetary unit established with reference to several currencies, shares in the company or transferable securities of whatsoever type giving immediate or future access, at any time or at a fixed date, to shares in the company, whether by way of subscription, conversion, exchange, redemption, presentation of a warrant or in any other way. Such securities may be issued in order to remunerate securities contributed to the company in the context of an exchange offer for securities meeting the conditions set forth at Article L. 225-148 of the Commercial Code.

**2.** Grants the present powers for twenty-six months from the date of this meeting.

**3.** Decides that the nominal amount of capital increases that may be carried out immediately or at a later date using the above-mentioned powers may not exceed €150,000,000 (one hundred and fifty million euros) or the equivalent thereof in another currency, including the total nominal value of shares that it may be necessary to issue in order to preserve the statutory rights of the holders of transferable securities giving entitlement to shares. The nominal amount of shares issued directly or indirectly pursuant to the fifteenth resolution put to this meeting shall be deducted from such amount.

**4.** Further decides that the nominal amount of debt securities that may be issued using the above-mentioned powers may not exceed €4,000,000,000 (four billion euros) or the equivalent thereof in another currency. The nominal amount of debt securities issued pursuant to the fifteenth resolution put to this meeting shall be deducted from such amount.

**5.** Decides to cancel the preferential right of holders of shares and investment certificates to subscribe the securities to be issued, it being understood that the Board may, for all or some of an issue, grant holders of shares and investment certificates a priority subscription right for a period and under the conditions that it shall decide. Such priority right shall not result in the creation of negotiable rights but may be exercised on an irreducible or reducible basis, should the Board deem fit.

**6.** Decides that if shareholders and the public do not subscribe an entire issue of shares or transferable securities as defined above, the Board may make use of one or other of the following options, in such order as it may decide:

- it may where appropriate limit the issue to the amount subscribed, provided that such amount represents at least three-quarters of the increase decided,
- it may freely distribute all or some of the unsubscribed securities.

**7.** Acknowledges and decides, as necessary, that the present delegation constitutes an automatic and express waiver by holders of shares and investment certificates in favour of the holders of the issued securities of their preferential right to subscribe the shares to which such issued securities give entitlement.

Decides to cancel the preferential right of holders of shares and investment certificates to subscribe shares issued as a result of the conversion of bonds or exercise of warrants.

**8.** Decides that the sum that is or may be due to the company in respect of each share issued using the present powers, taking into consideration the issue price of stand-alone share warrants, if any, shall be at least equal to the average of the first listed price of the company's share on ten consecutive trading days chosen from the twenty trading days immediately preceding the issue of the above-mentioned transferable securities, after adjustment of such average for any difference in the dates at which the securities carry dividend rights.

**9.** Decides that the Board shall have all powers, with the option of delegating them to its Chairman under the conditions provided by law, to use the present delegation, in particular in order to decide the dates and terms of issues and the form and characteristics of transferable securities to be created; to decide the price and conditions of issues; to decide amounts to be issued; to decide the date from which securities to be issued shall bear interest or dividends, including retroactively, and where appropriate the conditions for their repurchase on the stock market; to suspend where appropriate exercise of rights to the allocation of shares attached to securities to be issued for a period not exceeding three months; to decide as appropriate the conditions under which the rights of holders of securities giving future access to the authorised capital are maintained, in accordance with the laws and regulations; to make all deductions from issue premiums as appropriate, and in particular to deduct costs arising from the issuance of securities; in general to take all appropriate steps and conclude all agreements to ensure that the planned issues proceed smoothly; to note any capital increase resulting from any issue undertaken using the present powers and to amend the by-laws accordingly.

If debt securities are issued, the Board shall have all powers, with the option of delegating them to its Chairman, to decide whether or not they should be subordinated and to decide their rate of interest, their maturity, the redemption price, whether fixed or floating, with or without a premium, the terms of amortisation according to market conditions, and the conditions under which such securities give entitlement to shares in the company.

More specifically, if securities are issued to remunerate securities contributed in the context of an exchange offer, the Board shall have all powers, with the option of delegating them to its Chairman, to determine the exchange parity and, where appropriate, the amount of the cash balance payable or the characteristics of guaranteed value certificates; to note the number of securities tendered in exchange; to decide dates, terms and conditions of issue, including with guaranteed value certificates, and in particular the price of new shares or, where appropriate, securities giving immediate or future access to a portion of the company's authorised capital and the date from which such shares or securities bear interest or dividends; to record in a "merger premium" item on the liabilities side of the balance sheet, to which the rights of all shareholders shall attach, the difference between the issue price of new shares and their par value, and where appropriate to deduct all costs and fees arising from the authorised transaction from such merger premium.

**10.** Decides that the present authorisation shall invalidate any previous authorisation, in particular the one given by the Annual General Meeting on 25 April 2002 in its twelfth resolution.

The Annual Meeting notes that holders of investment certificates, at a special meeting held on this date, have expressly waived their preferential subscription right.

The Annual Meeting notes that holders of bonds convertible for new shares or exchangeable for existing shares issued in the context of the Bouygues 1.70% - 1996/2006 bond issue, meeting on 16 April 2004, have expressly approved the cancellation of the preferential subscription rights referred to in this resolution.

## SEVENTEENTH RESOLUTION

*(Option of using authorisations to increase the authorised capital in the event of a tender or exchange offer for the company's securities)*

The Annual Meeting, taking its decision under the quorum and majority voting conditions for extraordinary shareholders' meetings, having acquainted itself with the Board of Directors' report and pursuant to the provisions of Article L.225-129 IV of the Commercial Code, expressly authorises the Board, with the option of delegating such powers to its Chairman, for a period between the date of this meeting and the date of the annual meeting called to approve the accounts for 2004, to use the powers granted to the Board in the fifteenth and sixteenth resolutions above, during a tender or exchange offer for the company's securities, to increase the authorised capital by all means permitted by law by up to a maximum nominal amount of €150,000,000 (one hundred and fifty million euros) or the equivalent thereof in the authorised currencies.

The Annual Meeting notes that holders of investment certificates, at a special meeting held on this date, have expressly waived their preferential subscription right.

This resolution has been approved by the holders of bonds convertible into new shares or exchangeable for existing shares issued in the context of the Bouygues 1.70% - 1996/2006 bond issue, meeting on 16 April 2004.

## EIGHTEENTH RESOLUTION

*(Delegation of powers to the Board to increase the capital in favour of employees of the company or of Group companies, including if it makes use of authorisations to increase the capital)*

The Annual Meeting, taking its decision under the quorum and majority voting conditions for extraordinary shareholders' meetings, having acquainted itself with the Board of Directors' report and the auditors' special report, and pursuant to the provisions of the Commercial Code, in particular Article L. 225-138 thereof, and of Articles L. 443-1 et seq. of the Labour Code:

- delegates to the Board the necessary powers, with the option of delegating such powers to its Chairman, to increase the authorised capital, on one or more occasions, within a maximum limit of 10% of the company's capital at the time of each capital increase, by issuing new shares payable in cash and, where appropriate, by granting bonus shares or other securities giving access to the capital under the conditions provided by law;
- reserves subscription of all the shares to be issued to Bouygues employees and to employees of French or foreign companies affiliated to it within the meaning of the prevailing laws who belong to a corporate savings plan or a savings plan common to several companies;
- decides that the subscription price of the new shares at each issue may not be more than 20% lower, or 30% in the cases allowed by law, than the average opening price of the share listed on the first market of Euronext Paris S.A. on the twenty trading days immediately preceding the day of the Board's decision setting the opening date for subscription;
- in the event of a capital increase carried out pursuant to the delegations and powers given to the Board by this Annual General Meeting in its fifteenth and sixteenth resolutions to increase the authorised capital by up to a maximum nominal amount of €150,000,000 (one hundred and fifty million euros); or in the event of a decision to grant stock options taken by the Board pursuant to the powers given to it by the Annual Meeting;

  - decides that the Board shall be required to consider whether or not it is appropriate to carry out a capital increase under the conditions set forth at Article L.443-5 of the Labour Code, and authorises the Board, with the option of delegating its powers to the Chairman, to carry out, within the framework of the provisions of Article

L. 225-129 VII and the above-mentioned Article L.443-5 of the Labour Code, capital increases reserved for Bouygues employees and for employees of French or foreign companies affiliated to it within the meaning of the prevailing laws who belong to a corporate savings plan or an inter-company savings scheme, within a maximum limit of 10% of the capital increase carried out pursuant to the powers conferred by the fifteenth and sixteenth resolutions aforesaid or the granting of stock options;

- notes that these decisions entail a waiver by holders of shares and investment certificates of their preferential subscription rights in favour of the employees for whom the capital increase is reserved;
- delegates all powers to the Board for the purposes of:
  - deciding the date and terms of issues carried out pursuant to this authorisation; in particular, deciding whether the shares are subscribed directly or through a mutual fund or another entity in accordance with the laws in force; deciding and setting the terms and conditions for allocating bonus shares or other securities giving access to the capital, pursuant to the authorisation given above; deciding the issue price of the new shares to be issued in compliance with the rules set forth above, the opening and closing date for subscriptions, the date from which the shares carry dividend rights, time limits for payment (which may not be more than three years), and where relevant the maximum number of shares that may be subscribed per employee and per issue;
  - noting capital increases in the amount of the shares actually subscribed;
  - carrying out all transactions and formalities, directly or by proxy;
  - amending the by-laws in accordance with capital increases;
  - charging expenses incurred in connection with capital increases to the amount of the premium relating to each increase and deducting from such amount the necessary sums to raise the legal reserve to one tenth of the new capital after each increase;
  - and in general doing whatever is necessary.

This authorisation is given for a period of twenty-six months from the date of this meeting. It invalidates any previous authorisation, in particular the one previously given to the Board by the Annual General Meeting on 25 April 2002 in its fourteenth resolution.

The Annual Meeting notes that holders of investment certificates, at a special meeting held on this date, have expressly waived their preferential subscription right.

This resolution has been approved by the holders of bonds convertible into new shares or exchangeable for existing shares issued in the context of the Bouygues 1.70% - 1996/2006 bond issue, meeting on 16 April 2004.

## NINETEENTH RESOLUTION

*(Authorisation given to the Board to reduce the authorised capital by cancelling shares)*

The Annual Meeting, taking its decision under the quorum and majority voting conditions for extraordinary shareholders' meetings, having acquainted itself with the Board of Directors' report and the auditors' report, authorises the Board, pursuant to the provisions of Article L. 225-209 of the Commercial Code, to cancel, at its own discretion, on one or more occasions, all or some of the shares in the company acquired by exercise of the various authorisations to buy back shares granted to the Board by the shareholders' meeting, up to a limit of 10% of the authorised capital per 24-month period.

The Annual Meeting authorises the Board to charge the difference between the purchase value and the par value of cancelled shares to premiums and available reserves.

The Annual Meeting confers all powers on the Board to note any reduction(s) of the capital following the cancellation of shares as authorised by this resolution, cause the corresponding accounting entries to be made, amend the by-laws accordingly and in general carry out all the necessary formalities.

This authorisation is given for a period of 18 months

## TWENTIETH RESOLUTION

*(Authorisation given to the Board to grant stock options)*

The Annual Meeting, taking its decision under the quorum and majority voting conditions for extraordinary shareholders' meetings, having acquainted itself with the Board of Directors' report and the auditors' special report:

- authorises the Board, pursuant to the provisions of Articles L. 225-177 to L. 225-186 of the Commercial Code, to grant, on one or more occasions, to the beneficiaries stated below, options giving entitlement to subscribe new shares in the company to be issued in respect of a capital increase or to buy existing shares in the company resulting from buy-backs carried out under the conditions provided for by law, such authorisation being given to the Board for a period of 38 months as of this meeting;
- decides that the beneficiaries of such options shall be:
  - employees or certain employees or certain categories of employees,
  - the corporate officers defined by law,

  of both Bouygues or companies or groupings directly or indirectly linked to it under the terms of Article L. 225-180 of the Commercial Code;
- decides that the total number of options thus dispensed may not give entitlement to subscribe or buy a number of shares that exceeds the limits set forth at Article L. 225-182 of the Commercial Code and Article 174-17 of the decree of 23 March 1967, without prejudice to all other statutory limits;
- decides that the period within which such options may be exercised may not exceed seven years as of the date on which they are granted;
- decides, in the case of options to subscribe new shares, that the price at which beneficiaries may subscribe shall be determined by the Board on the day on which the options are granted. It may not be less than 95% of the average of the first listed price of the share on the monthly settlement market of the Paris stock exchange on the 20 trading days preceding the day on which the options are granted;
- decides, in the case of options to buy existing shares, that the price at which beneficiaries may buy shall be determined by the Board on the day on which the options are granted. It may not be less than 95% of the average of the first listed price of the share on the monthly settlement market of the Paris stock exchange on the 20 trading days preceding the day on which the options are granted or less than 80% of the average purchase price of shares held by the company under the terms of Articles L. 225-208 and L. 225-209 of the Commercial Code;
- decides that no option may be granted less than twenty trading days after a dividend right or preferential right to subscribe a capital increase has been detached from the shares;
- notes that pursuant to Article L. 225-178 of the Commercial Code, this authorisation constitutes an express waiver by shareholders and holders of investment certificates in favour of the beneficiaries of the stock options of their preferential right to subscribe the shares that will be issued as options are exercised;

- delegates all powers to the Board to determine the other terms and conditions for granting and exercising options, and in particular:
  - to determine the conditions under which options will be granted and to decide the list or categories of beneficiaries as set forth above; where relevant, to determine the conditions of seniority that the beneficiaries of options must meet; to decide the conditions under which the price and number of shares may be adjusted, in particular according to the various hypothetical situations set forth at Articles 174-8 to 174-16 of the decree of 23 March 1967,
  - to determine the conditions under which and the time or times at which options may be exercised,
  - to provide for the ability temporarily to suspend the exercise of options for a maximum of three months in the event of financial transactions implying the exercise of a right attaching to shares,
  - to carry out or cause others to carry out all deeds and formalities in order to make final any capital increase or increases carried out pursuant to the authorisation given by this resolution; to amend the by-laws accordingly and in general to do all that is necessary,
  - at its own discretion and should it deem fit, to charge the cost of capital increases to the amount of premiums relating to such increases and to deduct from such amount the sums required to raise the legal reserve to one tenth of the new authorised capital after each increase.

The Annual Meeting notes that holders of investment certificates, at a special meeting held on this date, have expressly waived their preferential right to subscribe the capital increase referred to above.

The Annual Meeting notes that the holders of bonds convertible for new shares or exchangeable for existing shares issued in the context of the Bouygues 1.70% - 1996/2006 bond issue, meeting on 16 April 2004, have expressly approved the cancellation of preferential subscription rights referred to above.

## TWENTY-FIRST RESOLUTION

*(Amendment of the by-laws to take account of Article 117-I 3° of the Financial Security Act of 1 August 2003)*

The Annual Meeting, taking its decision under the quorum and majority voting conditions for extraordinary shareholders' meetings, decides to amend Article 13.6, paragraph 2 of the company's by-laws as follows:

### Old wording

"The Chairman represents the Board of Directors. He organises and directs its work and reports thereon to the shareholders' meeting. He ensures that the company's decision-taking bodies operate smoothly, and in particular that the directors are in a position to carry out their duties."

### New wording

"The Chairman organises and directs the work of the Board of Directors and reports thereon to the shareholders' meeting. He ensures that the company's decision-taking bodies operate smoothly, and in particular that the directors are in a position to carry out their duties."

## TWENTY-SECOND RESOLUTION

*(Amendment of the by-laws to take account of Article 129 of the Financial Security Act of 1 August 2003)*

The Annual Meeting, taking its decision under the quorum and majority voting conditions for extraordinary shareholders' meetings, decides to amend Article 15, paragraph 4 of the company's by-laws as follows:

### Old wording

"All directors must receive the information necessary for them to carry out their duties and may obtain all documents they deem useful from the general management."

### New wording

"The Chairman or the Chief Executive Officer is required to provide all directors with all the documents and information necessary for them to carry out their duties."

## TWENTY-THIRD RESOLUTION

*(Powers to carry out formalities)*

The Annual Meeting grants all powers to the bearer of an original, copy or extract of the minutes of this meeting to carry out all legal or administrative formalities and to make all filings and notifications required by the prevailing laws and regulations.

# Persons taking responsibility for the financial review

To the best of our knowledge, the information contained in this Financial Review corresponds to the reality and provides investors with a reliable basis on which to make a judgment as to the assets, business, financial situation, results and outlook of Bouygues. There are no material omissions.

**Martin Bouygues**
Chairman and CEO

In our capacity as Bouygues SA's auditors and pursuant to COB Regulation 98-01, we have verified the information about the company's financial situation and historical accounts provided in this Financial Review in accordance with the prevailing standards of the profession in France.

This Financial Review has been prepared under the responsibility of Mr. Martin Bouygues, the Chairman and CEO of the company. Our task is to express an opinion on whether the information it contains gives a true and fair view of the company's financial situation and accounts.

In accordance with the prevailing standards of the profession in France, our assignment consisted in assessing whether the information about the financial situation and accounts is fairly stated and ensuring that it is consistent with the accounts that are the subject of a report. It also involved reading the other information contained in the Financial Review in order to identify any significant inconsistencies in relation to information about the financial situation and accounts and drawing attention to any plainly erroneous information that came to our notice on the basis of our overall knowledge of the company gained in the conduct of our assignment.

Where information is in the form of isolated sales forecasts prepared in a structured manner, our reading of it takes account of management assumptions and their translation into figures.

The parent company accounts and consolidated financial statements for 2001, 2002 and 2003 were closed by the Board and audited:

- for 2001 and 2002, by SFA Fournet et Associés and Mazars & Guérard,
- for 2003 by Ernst & Young Audit and Mazars & Guérard, in accordance with the prevailing standards of the profession in France. The parent company accounts for 2001 and 2002 and the consolidated financial statements for 2002 were certified without reserve or comment.

The consolidated financial statements for 2001 were certified without reserve but with a comment relating to a change of accounting method concerning subscriber acquisition costs at Bouygues Telecom.

We have certified the parent company accounts and consolidated financial statements for the year ended 31 December 2003 without reserve. Pursuant to the provisions of Article L. 225-235 of the Commercial Code concerning substantiation of our opinion, which apply this year for the first time, we have mentioned in our reports the following items of information which contribute to the opinion expressed on the accounts as a whole.

• Parent company accounts

*"The equity securities appearing as assets on your company's balance sheet are valued using the methods described in Note 2.3 of the notes to the financial statements. We have carried out specific assessments of the elements taken into consideration for estimating inventory values and, where relevant, verified the calculation of depreciation provisions. These assessments do not call for any particular comment on our part, as regards the methods used or the reasonable nature of the valuations or the relevance of the information provided in the notes to the financial statements."*

• Consolidated financial statements

*"Loss-of-value tests were carried out on intangible fixed assets and goodwill as described in Note 2.1.1 of the notes to the consolidated financial statements. We reviewed the methods for carrying out the tests and the assumptions on which they were based.*

*The provisions for liabilities and charges appearing on the balance sheet for €1,896 million were valued using the rules and methods described in Note 2.2.2 of the notes to the consolidated financial statements. In the light of the information available to date, our assessment of the provisions is based on an analysis of the processes introduced by senior management to identify and assess risks, especially those related to the construction and property businesses.*

*Deferred tax assets amount to €703 million as stated in Note 6 of the notes to the consolidated financial statements and mostly correspond to Bouygues Telecom's losses. We have ascertained that these amounts are recoverable in the short term on the basis of the business plan presented to us.*

*Your company's accounting policies are described in Note 2. As part of our assessment of those policies, we have verified that the methods and the information provided are appropriate. We are satisfied that they have been properly applied.*

*As stated in Note 2.2.2 of the notes to the financial statements, the application during the year of CNC recommendation 2003-R01 on the accounting treatment of pension commitments and similar benefits has had no significant impact on the consolidated accounts. We are satisfied that the change and the presentation of it are well-founded and that it has been properly applied."*

On the basis of our audit, we are satisfied that the information about the company's financial situation and accounts contained in this Financial Review is fairly stated.

The Auditors

**ERNST & YOUNG AUDIT**

Jean-Claude Lomberget

**MAZARS & GUERARD**

Michel Rosse

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Cover photo: Challenger, head office of Bouygues group.


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