BOUYGUES 2004

Financial Review

FINANCIAL REVIEW (COB Bulletin March 2003 - n° 377)

CONCORDANCE

Business activities

Environmental and social information Risks

Legal and financial information

Accounts

Annual General Meeting on 28 April 2005

This document is a free translation of the annual report filed with the Autorité des Marchés Financiers on 12 April 2005 pursuant to Article 211-6 of the AMF's General Regulations. It may be used in support of a financial transaction if supplemented by a stock exchange prospectus.

Record earnings in 2004

Earnings were up sharply again in 2004. The Group's net profit was €858 million. Excluding the capital gain on the sale of Saur, net profit has doubled in two years, which reflects the Group's strong competitive position and the relevance of our strategies. Net book cash increased by €1,106 million from 2003 to 2004. Net debt represented 45 percent of equity, after factoring in the impact of the exceptional payout and the proceeds from the sale of Saur. In 2004 I took the important decision to sell Saur for €1,031 million. The sale represented a net gain of €221 million for Bouygues, of which €188 million was booked to the 2004 accounts. The disposal of Saur is part of a strategy aimed at refocusing our investments.

Strong performance in all our construction businesses. Bouygues Construction regained a satisfactory level of profitability. Colas, the world leader in road building, continued its outstanding performance. Bouygues Immobilier posted strong growth in margins and cash.

TF1 consolidated its leading position by further improving its earnings and increasing its advertising revenues. Its theme channels and diversification businesses are developing well.

Bouygues Telecom confirmed its success and its wise technological choices, improving its market share and profitability through innovative service plans and the successful i-mode offering. In high-speed data, we have chosen to deploy EDGE technology and then second-generation UMTS (HSDPA). The choice of EDGE, now used by more than 110 operators, will enable Bouygues Telecom to offer its customers broadband service in 2005 across France and under good economical and technical conditions.

An exceptional payout of €5 per share, or €1.7 billion in total, was made to shareholders on 7 January 2005. In so doing, the Group rewarded shareholders for their considerable efforts. This payout leaves intact Bouygues' capacity to pursue its business strategies and carry out its investment projects.

The ordinary dividend is up 50%. Bouygues' board of directors will propose to pay a dividend of €0.75 per share for 2004, up from €0.50 for 2003.

We have a strong corporate culture founded on respect for others. Our goal, as always, is customer satisfaction. Our culture is expressed in entrepreneurial behaviour that is responsible in its commitments, creative in its proposals and prudent in its choices. These values, shared by employees across all our different businesses, are what make the Bouygues group different and what give it its strength.

Martin Bouygues

Chairman and Chief Executive Officer

Management team

Bouygues parent company

Olivier Poupart-Lafarge
Deputy CEO

Martin Bouygues
Chairman and CEO

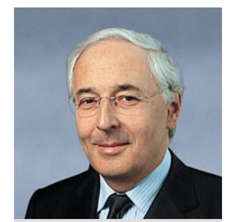
Olivier Bouygues
Deputy CEO

Philippe Montagner
Executive VP,
Telecommunications
and New Businesses

Alain Pouyat
Executive VP,
Information Systems
and New Technologies

Jean-Claude Tostivin
Senior VP,
Human Resources
and Administration

Lionel Verdouck
Senior VP,
Cash Management
and Finance



Jean-François Guillemin
Corporate Secretary

Heads of the five business areas

Yves Gabriel
Chairman and CEO,
Bouygues Construction

François Bertière
Chairman and CEO,
Bouygues Immobilier

Alain Dupont
Chairman and CEO,
Colas

Patrick Le Lay
Chairman and CEO,
TF1

Gilles Pélisson
Chairman and CEO,
Bouygues Telecom

Simplified Group organisation chart at 15 February 2005

- **BOUYGUES**
  - **Construction area**
    - 100% **CONSTRUCTION** – Bouygues Construction
      - 100% Building
      - 100% Civil works
      - 100% Electricity (ETDE)
    - 100% **PROPERTY** – Bouygues Immobilier
    - 95.6% **ROADS** – Colas
      - 100% Screg
      - 100% Sacer
      - 100% Smac
  - **Telecoms & Media area**
    - 41.6% **MEDIA** – TF1
      - 100% LCI
      - 100% Eurosport
      - 66% TPS
    - 83% **TELECOMS** – Bouygues Telecom

BOARD OF DIRECTORS

Chairman and CEO

Martin Bouygues

Executive Directors

Olivier Poupart-Lafarge
Deputy CEO

Olivier Bouygues
Deputy CEO

Directors

Pierre Barberis
Deputy CEO,
Oberthur Card Systems

Patricia Barbizet
Standing representative, Artémis
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, Crédit Agricole Indosuez

Michel Derbesse
Former Deputy CEO,
Bouygues

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
Standing representative,
Financière Pinault
Chairman of the Management Board,
Pinault-Printemps-Redoute

Alain Pouyat
Executive VP, Information Systems
and New Technologies, Bouygues

Michel Rouger
Former President
of Paris Commercial Court

Serge Weinberg
Standing representative, Tennessee
Former Chairman of the Management
Board, Pinault-Printemps-Redoute

Representatives of employee mutual funds

Carmelina Formond
Representing employee shareholders

Thierry Jourdaine
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 for over thirty years, Bouygues is one of the leading shares on the market and is part of the CAC 40 index. Bouygues has 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 all its institutional and individual shareholders with clear and readily-accessible financial information.

▶ 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. In 2004, Bouygues issued fifteen financial press releases.

▶ This financial information is summarised in notices published in fourteen French and international financial, economic and investment magazines and newspapers.

▶ To ensure transparency and equal access to information, the company website www.bouygues.com provides shareholders with detailed and constantly updated material on the Group, its results, its management, its businesses and its values. All press releases about the Bouygues group and its businesses are available, together with all documents containing useful information for shareholders, such as the annual report, financial statements and general meeting documents. All presentations given to shareholders and bondholders can be viewed on this website. Specific topics, such as corporate governance, IFRS and Standard & Poor's credit ratings, are covered in separate sections. The website features a section devoted to individual shareholders, which gives easier access to more relevant information and provides answers to frequently-asked questions. The site also shows live and recorded webcasts of meetings in which the Group presents its key results. In addition, shareholders can contact the Group directly at the following e-mail addresses: investors@bouygues.com and servicetitres.actionnaires@bouygues.com.

▶ In October 2004, La Vie Financière magazine, in association with Le Figaro, awarded its fiftieth Prize for Best Annual Report (in the CAC 40 category) to Bouygues. This award recognises the Group's efforts to optimise communication with shareholders by providing clear and readily-accessible information.

▶ The Group's main publications are also sent out regularly to shareholders. They include abridged and full annual reports and the in-house magazine Le Minorange.

▶ Bouygues publishes its results on a quarterly basis to maintain the transparency and frequency of its financial information. This initiative provides shareholders and the financial community with regular, year-round updates on the performance of the Group and its businesses.

▶ Lastly, the detailed financial statements (balance sheet, income statement and cash flow statement) for the Group, Bouygues SA and the five main business lines are published twice yearly.

Meeting shareholders and the financial community

The Bouygues group's senior management organises regular meetings with its shareholders and the financial community to establish and maintain an effective 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 in Saint-Quentin-en-Yvelines. The Group also hosts conference calls aimed at investors and financial analysts when it publishes its quarterly results.

▶ On 20 October 2004, Bouygues met with its individual shareholders at a seminar organised by Euronext in Tours. The next seminar is scheduled for 7 June 2005 in Montpellier and is being organised in conjunction with the FFCI (French Federation of Investment Clubs) and CLIFF (French Council of Financial Communication Advisors).

▶ Over 300 contacts each year between the company and French and international investors and analysts help establish and maintain a constant dialogue. International roadshows provide an opportunity to meet major worldwide investors and publicise the Group and its businesses outside France. In 2004, ten road-shows were held in Europe's main financial capitals.

▶ The Group also takes part in various themed conferences attended by leading telecommunications companies and aimed at French and international institutional investors.

Registered share account department

Bouygues has set up a registered share account department for its shareholders. This free service maintains accounts for holders of pure registered securities, who benefit from regular information from Bouygues as well as direct access to the company. Shareholders wishing to register their shares in this form should send their request directly to their financial intermediary.

Contacts in the registered share account department:

Philippe Lacourt
and Claudine Dessain

Tel: +33 (0)1 30 60 35 82
/ (0)1 30 60 32 64

Toll-free number (from France):
0805 120 007

e-mail: servicetitres.actionnaires@bouygues.com

Value creation

Exceptional payout

In view of the Group's favourable outlook, Bouygues' Board of Directors agreed on 23 July 2004 to propose an exceptional payout of €5 per share, which was approved by the Shareholders' Meeting held on

2005 Calendar

28 April 2005:	Annual General Meeting
3 May 2005:	First-quarter 2005 sales figures
4 May 2005:	Dividend payment
7 June 2005:	CLIFF/FFCI shareholder information meeting in Montpellier
22 June 2005:	First-quarter 2005 earnings
9 August 2005:	First-half 2005 sales figures
14 September 2005:	First-half 2005 earnings
8 November 2005:	Third-quarter 2005 sales figures
14 December 2005:	Third-quarter 2005 earnings
9 February 2006:	2005 full-year sales figures
1 March 2006:	2005 full-year earnings

7 October 2004. The payment was made on 7 January 2005.

This exceptional payout of €1.7bn (equating to around 15% of the Group's market capitalisation at end-December 2004) aimed to reward Bouygues shareholders after several years of investment in growth businesses with rising profitability, such as Bouygues Telecom, TPS and Colas.

Ordinary dividend

In March 2005, the Board of Directors agreed to ask the Shareholders' Meeting to approve a significant 50% increase in the dividend for 2004, from €0.50 to €0.75 per share. This dividend reflects Bouygues' aim to enhance its ordinary dividend and the return to shareholders over the long-term. This dividend benefits from new tax regulations which have replaced the former tax credit with a new tax credit of 50%. The dividend-to-earnings ratio for 2004 was 37% (excluding the exceptional payout and capital gains).

Share buyback programme

Since 2002, Bouygues has pursued a share buyback programme that aims to optimise the return on equity and compensate for the dilutive impact of newly-issued shares. Accordingly, in 2004, Bouygues cancelled 14.6 million shares (i.e. 4.4 % of its share capital at end-December 2004), including 13.6 million shares to offset the dilutive impact of Bouygues' OCEANE bond conversions.

The Group's healthy financial position and the strong earnings generated by its various businesses have enabled it to buy back shares while continuing to invest.

Share ownership at end-December 2004

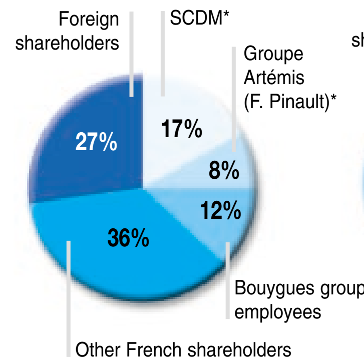
The difference between share ownership and voting rights is due to the fact that investors who hold their shares in registered form for more than two years are given double voting rights. This possibility is open to all holders of registered shares.

Bouygues share price since 1 January 2004

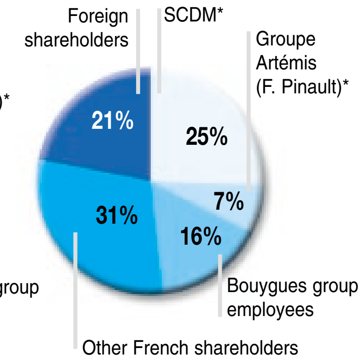
In 2004, Bouygues' shares achieved the tenth-strongest performance in the CAC 40 index, rising by nearly 23% versus around 7% for the overall index.

The exceptional payout of €5 per share automatically triggered a €5 correction in the share price, coinciding with the dividend payment date on 7 January 2005. Since then, the Bouygues share price has reversed some of this correction, rebounding to reach €31.62 on 23 February 2005. The adjusted share price, a theoretical price which excludes the exceptional payout, reflects the true value of the stock for shareholders (see share price performance chart).

Shareholders



Voting rights



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

Bouygues share price performance relative to CAC 40 index

Bouygues share details

- Listed on the First Market of Euronext and, since February 2005, Eurolist of Euronext (compartment A)
- ISIN code: FR0000120503
- Bloomberg code: EN.FP
  Reuters code: BOUY.PA
- Par: €1
- Indexes:
  CAC 40, Euronext 100,
  FTSE Eurofirst 80
  and Dow Jones Stoxx 600
- Eligible for deferred settlement and French equity savings plans ('PEAs')

Contact

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Investor Relations Manager
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78061 Saint-Quentin-en-Yvelines
Cedex - France
e-mail: investors@bouygues.com

Key figures

Key data

(€ million)	2002	2003	2004	2004/2003
Sales	22,247	21,822	23,402	+7%
of which international	*7,195*	*6,110*	*6,370*	*+4%*
EBITDA[(1)]	2,260	2,415	2,730	+13%
Operating income	1,058	1,238	1,547	+25%
Net earnings attributable to the Group	666	450	858	+91%
Recurring net earnings[(2)]	319	450	670	+49%
Cash flow	1,713	2,073	2,267	+9%
Free cash flow[(3)]	487	1,143	1,181	+3%
Shareholders' equity	6,379	6,192	5,087	-18%
Net book debt	3,201	2,786	1,680	-40%
Restated net debt	-	-	2,313[(4)]	ns
Gearing (debt-to-equity ratio)	50%	45%	45%[(4)]	=
Market capitalisation	9,060	9,224	11,314	+23%
Net dividend	0.36	0.50	0.75[(5)]	+50%
Number of employees	121,000	124,300	113,300	+1%[(6)]

(1) Earnings before interest, taxes, depreciation and amortisation.
(2) Excluding exceptional items and significant disposals of equity interests.
(3) Cash flow less net operating investment.
(4) Including the €1.664bn exceptional payout and €1.031bn in proceeds from the sale of Saur.
(5) To be proposed at the Annual General Meeting on 28 April 2005.
(6) Excluding businesses sold.

2004 was another excellent year. Sales rose by 7%, fuelled by strong organic growth, particularly at Bouygues Telecom and in Construction.

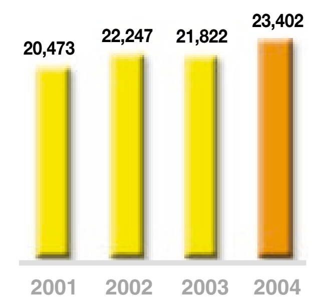
Profitability rose sharply, driven by all business areas. Operating income posted a further sharp rise of 25% (or 29% excluding the 2003 contribution from South East Water). Net earnings hit a new record of €858m. Excluding the capital gain on the Saur disposal, net earnings were up 49% to €670m. Bouygues Construction's earnings before tax and exceptional items totalled €181m (versus €70m in 2003).

Bouygues Telecom's EBITDA increased 17% to €1,174m, amounting to 35.3% of net sales from network, as a result of growth in sales and a firm grip on costs.

The financial position remained robust. All business areas improved their cash positions. Net book debt fell sharply to €1,680m. After taking into account the two major transactions in early 2005, namely the exceptional payout (€1,664m) and the Saur disposal (€1,031m in proceeds), restated net debt totalled €2,313m, down 17% with respect to 2003. This gave a debt-to-equity ratio of 45%.

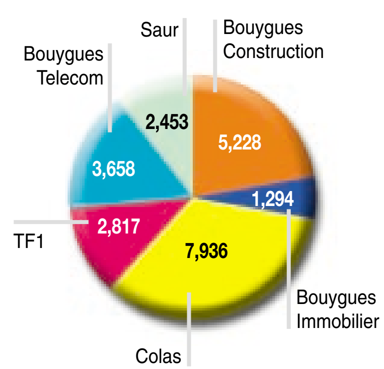
The sale of Saur to PAI partners was completed on 15 February 2005 following approval from the relevant competition authorities. The sale price was €1,031m. The net capital gain for Bouygues is €221m, of which €188m booked in 2004 and €33m at a later date.

Sales:
€23.4bn (up 7%)



Bouygues group. Consolidated sales for 2004 amounted to €23.4bn, up 7.2% on the previous year. Like-for-like and based on the same accounting method and constant exchange rates, sales grew by 8.2%. All businesses enjoyed a very good year, with sales driven mainly by organic growth.

Contributions to Bouygues group



Bouygues Construction. Business was strong in 2004, with sales showing a 10% increase. This pace of growth applied to both domestic and international markets.

Bouygues Immobilier. Sales increased by 5%, fuelled by robust business in the housing segment (22% growth).

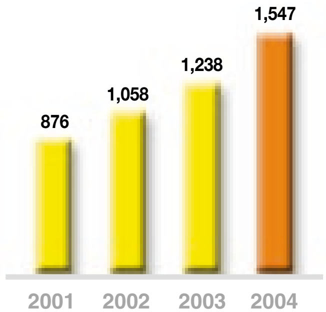
Colas. The world leader in roadworks continued to benefit from firm markets and ended the year with a 7% rise in sales on 2003, based on 10% growth in France and 4% abroad (or 6% like-for-like and at constant exchange rates).

TF1. Sales rose by 3% on 2003 (third-party sales being excluded in 2004) and by 7% based on the same accounting method. Advertising revenue grew by a further 6.6%. Sales from other activities were up 7%, based on the same accounting method, mainly spurred on by TPS and TF1 Vidéo.

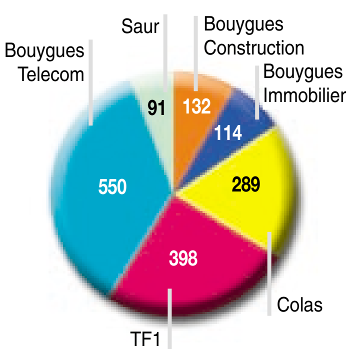
Bouygues Telecom. Sales rose by 12% in 2004. Net sales from network increased 11% to €3,326m. The company pursued a proactive and innovative policy in all market segments. With 15.4% growth in its contract customer base in 2004, Bouygues Telecom delivered the best performance on the market. Due to an enhanced content offering, i-mode continued to prove successful, topping the one million customer mark.

Saur. Sales held steady. Excluding the impact of the sale of South East Water at end-September 2003, sales were 5% higher. Saur was sold to PAI partners (excluding businesses in Africa and Italy) and was deconsolidated as from 31 December 2004.

Operating income: €1,547m (up 25%)



Group operating income grew at a faster pace than sales, rising by 25% to €1,547m in 2004, supported by an improvement in all businesses.



Bouygues Construction enjoyed an excellent year, with a 3.6-fold increase in operating income. As announced earlier, its operating margin (recurring earnings/sales) exceeded 3% in 2004.

Bouygues Immobilier posted a further improvement in its operating margin (8.8% in 2004 versus 6.5% in 2003) by controlling its operating expenses.

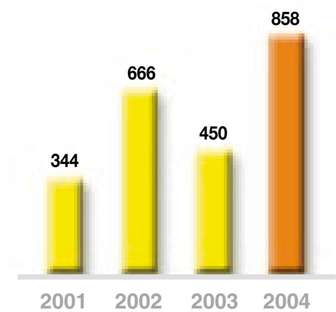
Colas continued to enhance its operating income, which was up 10%, despite an unfavourable dollar exchange rate.

TF1's operating income was up 19% to €398m, boosting its operating margin from 12.6% to 14.1%.

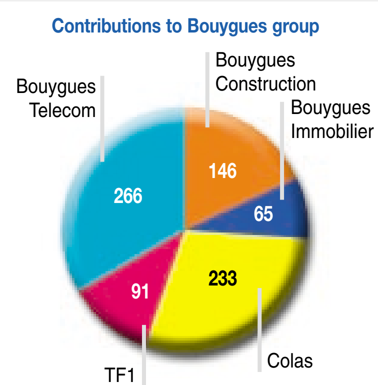
Bouygues Telecom. was the main contributor to Group operating income with €550m, an increase of 20%, driven by sales growth and tightly-controlled costs.

Saur's operating income rose by 3%, or by 86% on a like-for-like basis (i.e. excluding the 2003 contribution from South East Water).

Net earnings: €858m (up 91%)

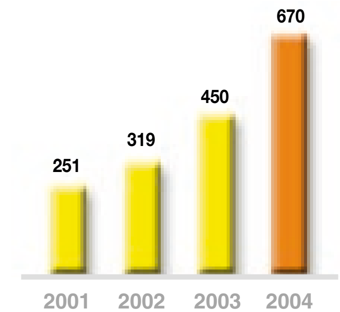


The Group's net earnings in 2004 include €188m of the capital gain on the Saur disposal. €33m of this gain will be booked at a later stage, giving a total capital gain of €221m. Excluding this exceptional item, the Group's net earnings hit a record level of €670m, up 49% from €450m in 2003.



Saur made a net loss of €4m in 2004

Recurring net earnings*: €670m (up 49%)



** excluding exceptional capital gain*

Bouygues Construction restored its earnings, increasing its contribution six-fold by €123m.

Bouygues Immobilier and **Colas** posted a 21% and 48% rise in net earnings respectively, bolstered by their fast expansion in buoyant markets.

Bouygues Telecom made the largest contribution to the Group's net earnings. This contribution increased by 82% to €266m, fuelled by persistently strong earnings growth and Bouygues' larger stake in this subsidiary (83% in 2004 versus 73% in 2003).

Saur posted a net loss of €4m, due to a €41m provision against its Côte d'Ivoire operations.

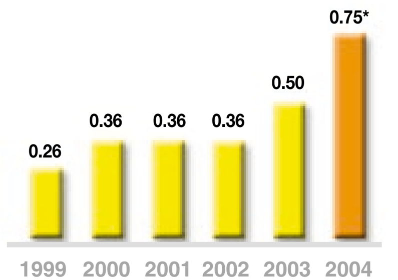
Recurring net earnings per share: €2.01 (up 50%)

Recurring net earnings per share have increased 4.5-fold over four years.

Net earnings per share amounted to €2.01 in 2004. This represents a 50% increase, excluding exceptional gains.

At end-December 2004, there were 333 million Bouygues shares and investment certificates in issue, which was similar to the figure at end-December 2003.

Net dividend per share: €0.75 (up 50%)



** to be proposed at the General Meeting on 28 April 2005*

Bouygues significantly increased the return to its shareholders in 2004. The Group continued to reap the benefits of the substantial investments it has made since 1999 (€4.8bn) to strengthen its businesses, especially Bouygues Telecom, Colas and TPS (via TF1).

Owing to its excellent 2004 results and positive outlook, the Group is in a position to significantly increase its dividend to shareholders, doubling it in the space of two years.

Bouygues' Board of Directors will ask the Shareholders' Meeting on 28 April 2005 to approve a dividend of €0.75 per share, which represents a 50% increase on the previous year, in line with the growth in net earnings. This dividend will be paid on 4 May 2005.

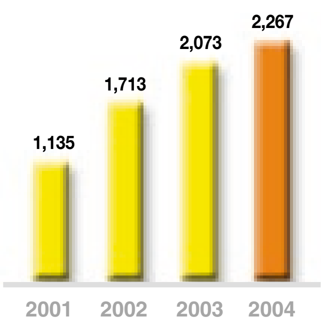
The exceptional payout of €5 per share, announced in July 2004, was paid on 7 January 2005. It amounted to a total of €1,664m, i.e. 14% of the Group's market capitalisation as at 6 January 2005.

The conversion and redemption of the Group's OCEANE bonds in April 2004 did not have a dilutive impact for shareholders, as the Group bought back and cancelled the newly-issued shares generated by these bonds.

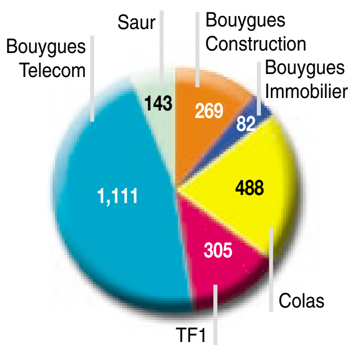
Condensed consolidated income statement

(€ million)	2003	2004	Variation
Sales	**21,822**	**23,402**	**+7%**
Operating income	**1,238**	**1,547**	**+25%**
Net financial items	(219)	(165)	-25%
Earnings before tax and exceptional items	**1,019**	**1,382**	**+36%**
Net exceptional items	(14)	209	ns
Income tax	(380)	(519)	+37%
Share in net earnings of companies accounted for by the equity method	43	42	=
Goodwill amortisation	(42)	(55)	+31%
Net earnings	**626**	**1,059**	**+69%**
Minority interests	(176)	(201)	+14%
Net earnings attributable to the Group	**450**	**858**	**+91%**
Net earnings attributable to the Group (excluding capital gains on the Saur disposal)	**450**	**670**	**+49%**

Cash flow:
€2,267m (up 9%)



Overall, the Group's cash flow improved by 9% to €2,267m, giving Bouygues substantial cash resources to fund further growth. Excluding the 2003 contribution from South East Water, cash flow increased by 12%.



All the Group's business areas increased their cash flow again in 2004, reflecting their robust positions in buoyant markets.

Investment:
€1,601m (down 29%)

Contributions to Bouygues group	Total 2002	Total 2003	2004 Operations	2004 Acquisitions	Total 2004
Bouygues Construction	263	140	110	62	172
Bouygues Immobilier	12	2	4	23	27
Colas	392	353	383	94	477
TF1	481	113	81	70	151
Bouygues Telecom	1,088 (1)	497	603	-	603
Saur	224	141	52	2	54
Bouygues SA and other	1,158	1,004	30	87	117
TOTAL	**3,618**	**2,250**	**1,263**	**338**	**1,601**

(1) including UMTS licence fee of €619m.

In 2004, the Bouygues group reduced its total capital expenditure (financial and operating investment) from €2.3bn to €1.6bn.

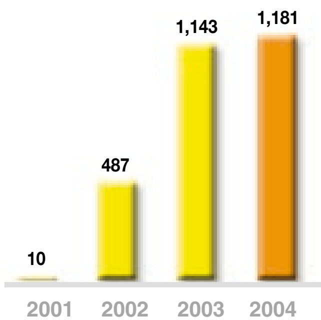
Gross operating investment rose by 11% to €1,263m, mainly fuelled by Bouygues Telecom and Colas.

Bouygues Telecom's gross operating investment amounted to €603m in 2004 (€515m net), as it decided to step up the deployment of the EDGE network (€83m) and continued to improve the quality and coverage of its existing network. The increase relative to 2003 was accentuated by fewer divestments in 2004, as Bouygues Telecom has completed the sell-off of its radio masts.

Colas invested €340m in its operating assets to extend the geographical reach of its businesses and consolidate its upstream manufacturing operations (production of materials and asphalt mixes).

Excluding South East Water (€39m in 2003), Saur's 2004 capital expenditure was on a par with 2003.

Free cash flow:
€1,181m (up 3%)



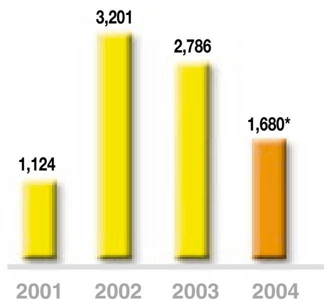
Free cash flow is defined as the Group's capacity to generate a cash surplus, after net operating investment has been financed.

In 2004, Bouygues generated cash flow of €2,267m. After subtracting net operating investment of €1,086m, free cash flow amounted to €1,181m, showing a slight increase on 2003.

The various business areas contributed to free cash flow as follows: Bouygues Construction: €194m; Bouygues Immobilier: €78m; Colas: €148m; TF1: €229m; Bouygues Telecom: €596m; and Saur: €66m.

Bouygues Telecom continued to benefit from a virtuous cycle, in which its cash flow generation capacity is much higher than its investment.

Net book debt:
€1,680m (down 40%)



** restated net debt: €2,313m*

Bouygues maintained its robust financial position in 2004, reducing its net book debt to €1.7bn, down 40% on 2003.

Including €1,031m in proceeds from the Saur disposal and the €1,664m exceptional payout, restated net debt was €2,313m, amounting to 45% of equity (no change since end-2003).

These two major events were not reflected in net book debt at end-December 2004, as the corresponding cash movements had not yet occurred.

Each business line improved its cash position. Bouygues Telecom and TF1 reduced their net debt by €449m and €22m respectively to €582m (Bouygues Telecom) and €404m (TF1). All the other businesses have cash surpluses: Saur: €0m; Bouygues Construction: €1,520m (+€174m); Colas: €488m (+€233m); Bouygues Immobilier: €251m (+€163m); and Bouygues SA & other: €3,073m.

In 2004, Bouygues launched a €1bn bond issue to optimise its long-term financing and take advantage of favourable market conditions.

In view of this healthy financial position, with an evenly spread debt repayment schedule and excellent liquidity, Standard & Poor's has maintained the Group's 'A- stable outlook' rating.

Condensed consolidated balance sheet

€ million	2002	2003	2004
ASSETS			
Fixed assets	**12,357**	**11,983**	**10,753**
Inventories, programmes and broadcasting rights	1,778	1,874	1,743
Trade and other receivables	8,742	8,596	9,113
Current assets	**10,520**	**10,470**	**10,856**
Cash and cash equivalents	1,906	2,616	3,256
Total assets	**24,783**	**25,069**	**24,865**
LIABILITIES			
Shareholders' equity (Group share)	5,011	5,131	3,983
Minority interests	1,024	894	964
Other equity	344	167	140
Shareholders' equity and other equity	**6,379**	**6,192**	**5,087**
Provisions for liabilities and charges	1,882	1,896	1,866
Financial liabilities	4,825	5,160	4,686
Long-term capital	**13,086**	**13,248**	**11,639**
Current liabilities	**11,415**	**11,579**	**12,976**
Short-term bank borrowings and overdrafts	282	242	250
Total liabilities	**24,783**	**25,069**	**24,865**

Condensed consolidated cash flow statement

€ million	2002	2003	2004
A - Operating activities			
Cash flow from operations	1,713	2,073	2,267
Change in working capital requirement	438	239	423
Net cash from operating activities	**2,151**	**2,312**	**2,690**
B - Investing activities			
Net investment	(2,867)	(1,573)	(230)
Other investing activities	67	(80)	(1,012)
Net cash used for investing activities	**(2,800)**	**(1,653)**	**(1,242)**
C - Financing activities			
Dividends paid during the year	(229)	(213)	(258)
Other financing activities	562	310	(548)
Net cash from financing activities	**333**	**97**	**(806)**
D - Impact of exchange rate movements	**(17)**	**(6)**	**(10)**
Change in cash and cash equivalents (A+B+C+D)	**(333)**	**750**	**632**
Cash at beginning of period	1,957	1,624	2,374
Cash at end of period	1,624	2,374	3,006

ROCE(1)

	2003	2004
Group ROCE		
Bouygues group	8.6%	12.0%
ROCE by business		
Bouygues Construction	+++(2)	+++(2)
Bouygues Immobilier	34.5%	++(3)
Colas	22.8%	26.5%
TF1	16.0%	18.2%
Bouygues Telecom	8.5%	11.2%
Saur	5.7%	-

(1) Return On Capital Employed: operating income after tax and share of companies accounted for by the equity method/capital employed.

(2) Bouygues Construction's Return On Capital Employed is not significant as its businesses generate a substantial cash surplus. This is one of the major strengths of the construction business, which, although it involves risks, does not require capital to expand.

(3) Bouygues Immobilier's net cash now equals capital employed at end-2004, which is an uncommon situation for a property developer.

In 2004, the Bouygues group's ROCE (Return On Capital Employed) rose sharply from 8.6% to 12.0%.

This improvement stems from increased cash, higher operating income and the sale of Saur, which was removed from the scope of consolidation as from 31 December 2004.

BUSINESS ACTIVITIES

Full service contractor

2004 sales
€5,512m (+10%)
Earnings before tax and exceptionals
€181m (x2.6)
Net earnings (Group share)
€144m (x4.5)
Employees
38,500

Sales objective 2005*
€5,500m (=)

* IFRS standards

HIGHLIGHTS

Major new contracts

- Exaltis tower, Courbevoie (€52m)
- Street lighting for the city of Lille (€37m over 8 years)
- Mechanical and electrical services for Tahiti Hospital (€54m)
- Phase 2 of the M5 motorway in Hungary (€117m)
- Tsing Yi viaduct in Hong Kong (€49m)
- Citylights@Jellicoe apartment blocks in Singapore (€45m)
- Sail@Marina Bay towers in Singapore (€139m)

Major projects under construction

- UK Home Office (€325m)
- Quai Branly museum (€29m)
- Nuclear simulation centre in Bordeaux (€135m)
- Port of Tangier (€150m)
- A28 motorway (€636m)
- Hong Kong Exhibition Centre (€225m)
- Barking Schools PFI contract in London (€68m)
- Masan Bay Bridge in South Korea (€87m)

Bouygues Construction is a world-leading company, operating in building, civil works, electrical contracting and maintenance. It combines the strength of a large group with the responsiveness of a network of smaller contracting businesses. In 2004, it continued to improve its financial performance.

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.

In France, three major firms operate in the construction, infrastructure concessions and roadbuilding sectors: Bouygues, Vinci and Eiffage. Bouygues Construction holds a leading position on the building market in the Paris region and is one of the top four construction firms in each of France's five great regions.

Competition on international markets and in Europe is fierce due to concentration in the European construction industry, the return of American groups to Europe and the Middle East in 2003 and the growth of firms from emerging countries, especially China and Turkey. Many firms are staking out positions on the transport infrastructure market, while the majors are also developing sophisticated services and technologies through an increasingly selective approach to their choice of projects.

According to the annual survey conducted by the American magazine Engineering News Record (ENR), Bouygues is the fifth placed international firm behind Skanska (Sweden), Hochtief (Germany), Vinci (France) and Bechtel (USA).

A 10% increase in sales

Good management on some major projects was one of the factors behind the group's sales performance in 2004 (€5,512m):

- Bouygues Construction benefited from fine weather on the A28 motorway project, which brought in €270m over the year. The 125 km section between Rouen and Alençon will complete a major motorway link between northern and southern Europe via Calais and Bayonne.
- The Home Office building in London, a 75,000 m² Private Finance Initiative project, generated €143m in 2004 and was delivered on 26 January 2005, despite tight deadlines (under the Private Finance Initiative, the government delegates the design, construction, financing and management of infrastructure to the private sector).
- The Lok Ma Chau project (€73m in 2004) in Hong Kong confirmed Bouygues Construction's technical expertise in underground works. The two parallel tunnels, each over 5 km long, were built using a combination of boring (3.5 km) and cut and cover (the remaining 1.5 km).
- The Kipchak mosque in Turkmenistan (€87m in 2004) was inaugurated on 22 October 2004. With a surface area of 20,000 m², it is the second biggest mosque in Central Asia.

Kipchak mosque in Turkmenistan

An excellent 2004 confirming the improvement in financial performance

▶ In Asia, Bouygues Construction demonstrated its ability to finance, design, build and operate major projects such as the Hong Kong International Exhibition Centre (€85m in 2004). The Centre, situated near the international airport, has a surface area of 130,000 m².

Several other large-scale projects were also completed and delivered in 2004, including:

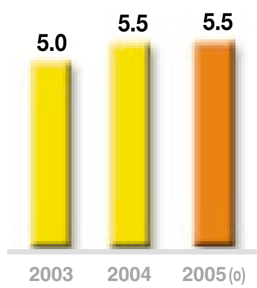
▶ the Young People's Clinic in Paris: a 6,000 m² building within the Cochin hospital complex, commissioned by the Fondation Hôpitaux de Paris - Hôpitaux de France (whose president is Bernadette Chirac), it takes in 12 to 19 year-olds suffering from adolescent disorders;

▶ the new headquarters of Le Monde newspaper in Paris: a 1960s building, it was heavily restructured by Bouygues Bâtiment Ile-de-France;

▶ the Berlaymont building in Brussels: designed to accommodate 2,700 civil servants from the European

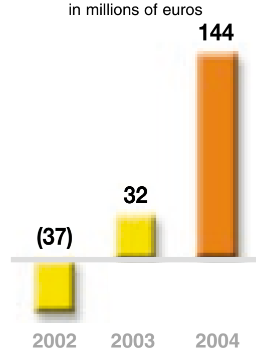
Sales

in billions of euros



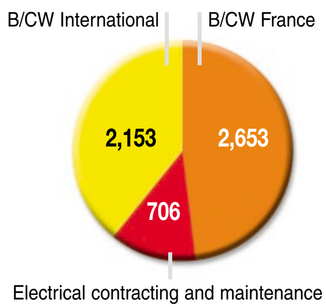
Net earnings

in millions of euros



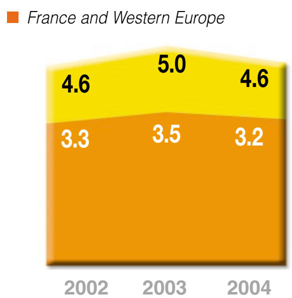
Sales by business

in millions of euros



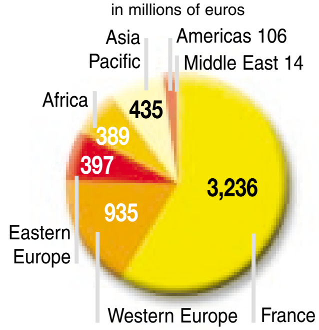
Order book

in billions of euros



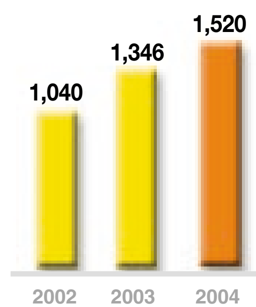
Sales by geographical area

in millions of euros



Net cash position

in millions of euros



Consolidated balance sheet at 31 December

ASSETS ((in millions of euros)	2003	2004
FIXED ASSETS	**590**	**562**
Inventories	81	93
Trade and other receivables	1,962	2,091
CURRENT ASSETS	**2,043**	**2,184**
Cash and cash equivalents	1,572	1,770
TOTAL ASSETS	**4,205**	**4,516**
LIABILITIES (in millions of euros)		
Share capital and reserves	222	288
Minority interests	6	3
SHAREHOLDERS' EQUITY	**228**	**291**
Other equity	-	-
SHAREHOLDERS' EQUITY AND OTHER EQUITY	**228**	**291**
Provisions for liabilities and charges	542	626
Financial liabilities	149	158
LONG-TERM CAPITAL	**919**	**1,075**
CURRENT LIABILITIES	**3,209**	**3,349**
Short-term bank borrowings and overdrafts	77	92
TOTAL LIABILITIES	**4,205**	**4,516**

Consolidated income statement

(in millions of euros)	2003	2004
SALES	**5,002**	**5,512**
OPERATING INCOME	**37**	**132**
Net financial items	33	49
EARNINGS BEFORE TAX AND EXCEPTIONAL ITEMS	**70**	**181**
Net exceptional items	(12)	23
Income tax	(27)	(62)
NET EARNINGS OF CONSOLIDATED COMPANIES	**31**	**142**
Share in earnings of companies accounted for by the equity method	3	3
Amortisation of goodwill	-	(1)
NET EARNINGS BEFORE MINORITY INTERESTS	**34**	**144**
Minority interests	(2)	-
CONSOLIDATED NET EARNINGS (attributable to the Group)	**32**	**144**

Commission, the building has been heavily renovated;

- package 13 of the high-speed rail link to eastern France: this package, part of the high-speed line that will link Paris and Strasbourg in 2007, involved the construction of 27 civil engineering works on a 27 km section between the Seine-et-Marne and Aisne départements;
- the West Middlesex Hospital, a 400-bed PFI project.

Bouygues Construction reported operating income of €132m in 2004 compared with €37m in 2003. All entities contributed to the increase, having benefited from the group's reorganisation. The favourable outcome of various claims and negotiations also helped to improve the result.

Masan Bay bridge project in South Korea

Order books at the start of 2005 were satisfactory at €4.6bn, with business secured for the coming year up 4% on December 2003.

In 2004, the firm was awarded the second phase of the M5 motorway in Hungary (35-year concession, €350m of works to be carried out by Bouygues Construction), the second phase of Highway 2000 in Jamaica (35-year concession, €68m of works) and the Masan Bay bridge in South Korea (30-year concession, €183m of works, of which Bouygues Construction will carry out 50%).

Building and civil works

Sales at the building and civil works division rose by 9% in 2004 to €4,806m. 55% of the total (€2,653m) was generated in France and 45% (€2,153m) on international markets.

France

Construction of private-sector apartment blocks and public buildings increased in 2004. The industrial buildings and office markets levelled off after declining for several months.

Sales at **Bouygues Bâtiment Ile-de-France** stabilised at €1,089m in 2004 after falling in 2003. The new organisation by area of expertise, completed in early 2004, enables the firm to serve its customers better by offering solutions adapted to their needs. The main projects delivered were the rehabilitation of the Opus 12 tower at La Défense, the new headquarters of Le Monde for the newspaper's sixtieth birthday, and the Young People's Clinic. Other significant projects included the 14-floor Exaltis tower in Courbevoie (€52m), the complete renovation of a complex on Boulevard Haussmann in Paris (€46m) and the construction of two office buildings and a canteen for Siemens at Châtillon (€39m).

Outside the Paris region, **local subsidiaries** operate on both the building and the civil works segments. Current projects include the A28 motorway and the Megajoule Laser Facility (the world's second largest nuclear simulation centre commissioned by the Atomic Energy Commissariat at a cost of €135m). Regional subsidiaries are positioning themselves on markets, such as prison building, where design factors add value. The growing importance of such projects, and of property development activities, has enabled regional subsidiaries to make up for the lack of major projects and to record a high level of business, reporting a 6% increase in sales in 2004 to €1,140m. Bouygues Entreprises France Europe, for example, was awarded contracts to build an underground car-park in Chartres city centre (€19m) and an office complex in Marseille's Euroméditerranée district (€16m).

Sales by **Bouygues Travaux Publics** in France rose from €190m in 2003 to €271m in 2004, mostly due to a full year's work on the A28 and Mégajoule Laser Facility, plus several packages of the high-speed rail link to eastern France. In contrast, Bouygues Travaux Publics won fewer major projects in France than in previous years. Order books were down on 2003 and the firm will have to step up the international side of its business over the coming months.

In 2004, Bouygues Travaux Publics was awarded a €46m design-build contract for the Grésillons sewage treatment plant.

Sales by **DTP Terrassement** in France rose from €134m in 2003 to €140m in 2004 as a result of various major infrastructure projects carried out in partnership with other Bouygues Construction entities and accomplished under favourable weather conditions.

International

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

In western Europe, the markets on which Bouygues Construction operates are holding firm and the company has confirmed its positioning on financed and high value-added projects. In the United Kingdom, Bouygues Construction is involved in PFI projects in the healthcare and education sectors, including the €110m Central Middlesex Hospital project in London and the €68m Barking Schools project.

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 the Ministry of Industry and Textiles building and the Academy of Fine Arts. The company has also concluded a design-build contract with PSA for a factory in Slovakia. Bouygues Construction also offers combined financing and construction solutions for motorway projects in the region, such as phase 2 of the M5 motorway in Hungary.

In the Asia-Pacific region, Bouygues Construction has been awarded the Masan Bay bridge contract in South Korea, a 30-year concession worth €87m, and the €49m Tsing Yi viaduct in Hong Kong.

Electrical contracting and maintenance

ETDE contributed €706m to Bouygues Construction's consolidated sales in 2004, a 23% increase on 2003 attributable mainly to vigorous external growth.

ETDE has three lines of business with a substantial services component:

- utility networks: design, engineering, construction and maintenance of networks for local authorities, EDF-GDF, industry, motorway companies, etc.;
- electrical and HVAC engineering: design, construction and maintenance of facilities for the industrial and services sector, transport and environmental infrastructure, etc.;
- facilities management: services for the occupants of buildings and maintenance of the facilities needed to operate them (soft and hard FM).

On international markets, ETDE operates alone or in tandem with other companies from the Bouygues Construction group. For example, it will carry out all the electrical, air conditioning and plumbing work for the Tahiti Hospital project at a cost of €54m.

ETDE acquired two businesses and seven companies in 2004 and is particularly attentive to their integration. The biggest acquisition was Mainguy, a company with sales of approximately €100m. These acquisitions and those carried out in 2003 represented sales of €85m in 2004.

OUTLOOK FOR 2005

Bouygues Construction intends to maintain its earnings and achieve steady growth in four areas:

- **Electrical contracting and maintenance:** in a buoyant market that is continuing to consolidate, ETDE is planning to pursue an active acquisitions policy.
- **Public-private partnerships:** Bouygues Construction's international experience is helping it to become involved in a number of projects in France, particularly in the schools and hospitals segments.
- **Packaged property development:** with its acknowledged skills in all areas from logistics warehouses to complete renovation, the company intends to continue growing in this high-value-added business area.
- **Transport infrastructure concessions:** Bouygues Construction gets involved in projects at the earliest possible stage, in order to offer a full service comprising financing, construction and operation.

Bouygues Immobilier

A leader in property development

2004 sales
€1,295m (+5%)
Operating income
€114m (+43%)
Net earnings (Group share)
€65m (+48%)
Employees
845

Sales objective 2005*
€1,450m (+13%)

* IFRS standards

HIGHLIGHTS

Office and retail property

- Sale of the Exaltis building (23,000 m²) in La Défense
- Sale of the Grand Horizon building (16,000 m²) in Marseille
- Delivery of CNAM's head office in Bagnolet and Le Monde's head office in the 13th arrondissement of Paris
- Sale of the Alcala Parque retail park (32,000 m²) in Seville, Spain

Residential property

- 6,593 homes delivered in France
- Start of residential property programmes in Spain
- First project delivered in Warsaw, Poland

Expansion

- Acquisition of Société Lyonnaise pour la Construction (SLC)
- Opening of two new branches in Perpignan and La Rochelle
- Start-up of a residential property business in Brussels, Belgium
- Start-up of the Retail Parks business in France

With twenty-three branches in France and seven units in Europe, Bouygues Immobilier is a developer of residential, office and retail park projects. With its excellent financial position and strong earnings growth (+48%), the company further increased its market share in 2004.

On the private residential property development market, Bouygues Immobilier's main rivals are Nexity, Kaufman & Broad and Capri. With 6,759 units sold in 2004, Bouygues Immobilier remains in second place behind Nexity.

Bouygues Immobilier leads a corporate property market on which the competition is highly diversified. Its direct rivals are mainly British and American developers and land development companies.

Consolidated book sales, recorded as in previous years according to the percentage of completion method, amounted to €1,295m in 2004, a rise of 5%. Operating income rose by 43% to €114m, representing 8.8% of sales.

Net earnings attributable to the Group rose by 48% to €65m.

Forward sales remained buoyant: reservations amounting to €1,549m were taken, 11% more than in 2003.

Bouygues Immobilier had a cash surplus for the fourth year running, due to strong residential property sales, favourable buyer financing terms for major corporate property developments and deferred payment terms for major land acquisitions.

Residential property: still a thriving market

The residential property market continued to thrive in both the Paris region and the rest of France, buoyed by low interest rates, strong rental demand and effective tax incentives. 6,759 housing units were reserved, including 164 in Europe, for a total of €1,069m, representing a 25% increase on the previous year. The key to this rise was strong growth in demand in the outer suburbs of the Paris region, the Atlantic crescent and the south and south-east of France. Book sales increased by 22% to €864m.

Bouygues Immobilier strengthened its presence in the Rhône-Alpes region with the acquisition of Société Lyonnaise pour la Construction (SLC) in October 2004.

Commercial and corporate property

Rental demand remained weak in 2004, causing rents to fall. Against this background, Bouygues Immobilier sold 167,000 m² of office, retail and hotel space, including 71,000 m² in Europe excluding France, for a total of €467m, consolidating its leading position in the new office market.

In 2004, Bouygues Immobilier delivered two prestige projects designed by architects of international

Further growth in residential property
Strong earnings growth

repute: the Ipsos headquarters at Gentilly designed by Henri Gaudin and the headquarters of Le Monde designed by Christian de Portzamparc.

However on a sluggish market, Bouygues Immobilier's book sales fell by 17% to €431m.

In late 2004, Bouygues Immobilier sold SAS Hôtel de Neuilly (Marriott Hôtel) and Société Financière des Arcs, which owns two hotels in the Arcs 1800 ski resort.

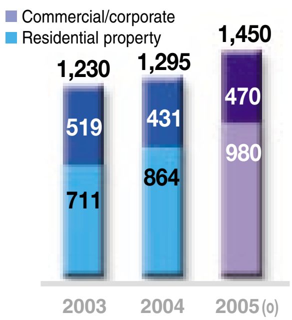
Ongoing expansion in Europe

Bouygues Immobilier has operations in Spain, Portugal, Poland, Germany and Belgium. Book sales in these countries amounted to €90m in 2004, representing 6.9% of total sales. Residential property accounted for 28% of that amount.

In Spain, Bouygues Immobilier continued to market large office developments in Madrid and to develop retail parks in Seville. It also launched residential developments, mainly in coastal and tourist areas. In Poland, it delivered its first residential development in Warsaw. The company boosted its activity in Belgium, acquiring two significant landed property assets in Brussels in November 2004 as a result of which it will be able to embark on developments totalling 500 residential units.

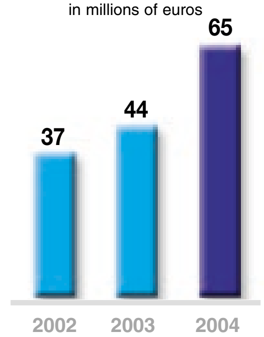
Sales

in millions of euros



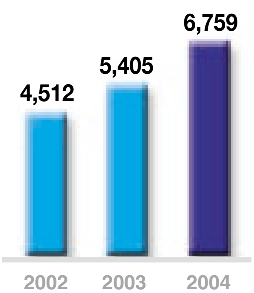
Net earnings

in millions of euros



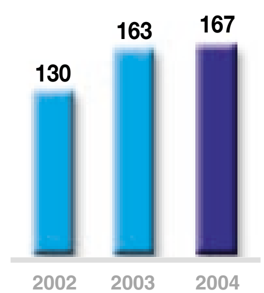
Residential property

Housing reservations, units



Commercial property

Reservations in thousands of m²



OUTLOOK FOR 2005

Bouygues Immobilier aims to strengthen its leading position in property development in France and to become a major player in Europe. Its key strategic objectives for 2005 are:

- to pursue dynamic but prudent growth by increasing market share in residential property, mainly in the regions, emphasising risk management in office property and concentrating efforts outside France on Spain, Portugal, Poland and Belgium;
- to maintain high profitability;
- to preserve a solid financial position.

Substantial sales growth is expected in 2005 due to high levels of commercial activity in 2004. Bouygues Immobilier expects a further increase in residential reservations in a market that shows signs of levelling off, along with moderate activity in commercial property.

Consolidated balance sheet at 31 December

ASSETS (in millions of euros)	2003	2004
FIXED ASSETS	110	51
Inventories	667	648
Trade and other receivables	954	1,111
CURRENT ASSETS	1,621	1,759
Cash and cash equivalents	133	313
TOTAL ASSETS	1,864	2,123
LIABILITIES (in millions of euros)		
Share capital and reserves	203	239
Minority interests	15	10
SHAREHOLDERS' EQUITY	218	249
Other equity	-	-
SHAREHOLDERS' EQUITY AND OTHER EQUITY	218	249
Provisions for liabilities and charges	107	130
Financial liabilities	45	59
LONG-TERM CAPITAL	370	438
CURRENT LIABILITIES	1,494	1,682
Short-term bank borrowings and overdrafts	-	3
TOTAL LIABILITIES	1,864	2,123

Consolidated income statement

(in millions of euros)	2003	2004
SALES	1,230	1,295
OPERATING INCOME	80	114
Net financial items	(13)	(7)
EARNINGS BEFORE TAX AND EXCEPTIONAL ITEMS	67	107
Net exceptional items	(7)	2
Income tax	(12)	(40)
NET EARNINGS OF CONSOLIDATED COMPANIES	48	69
Share in earnings of companies accounted for by the equity method	-	-
Amortisation of goodwill	-	-
NET EARNINGS BEFORE MINORITY INTERESTS	48	69
Minority interests	(4)	(4)
CONSOLIDATED NET EARNINGS (attributable to the Group)	44	65

The world leader in roadworks

2004 sales
€8,013m (+8%)
Operating income
€289m (+10%)
Net earnings (Group share)
€241m (+18%)
Employees
53,500

Sales objective 2005*
€8,400m (+4%)

** IFRS standards*

HIGHLIGHTS

Notable projects

▶ France: repairs on 30 km of the A31 motorway, Faulquemont diversion (Moselle region), Yssingeaux bypass (Haute-Loire), work on tram lines in Grenoble and Montpellier, network diversions for the Paris tram line, tracklaying for the TGV Est high-speed rail line, runway repairs at Le Bourget airport, waterproofing work at hospitals in Nantes and Annecy.

▶ International: PFI contract in Portsmouth, UK, renovation of the Antwerp ring-road in Belgium, construction of a metro section in Copenhagen, Denmark and of motorway sections in Hungary, Romania, the Czech Republic and the USA.

Production of materials

▶ 96.2 million tonnes of aggregates (20-25 years of reserves),
52.6 million tonnes of asphalt mixes,
1.4 million tonnes of emulsions and binders (world's largest producer),
21 million m^2 of waterproof membranes.

Colas operates in all segments of transport infrastructure, integrating all upstream industrial activities, from quarries and mixing plants to units producing or manufacturing emulsions and binders. The company has operations in more than forty countries.

In 2004, equipment and infrastructure modernisation needs meant that many of the markets on which Colas operates grew faster than GNP (France, Central Europe, Indian Ocean). Benefiting from relatively good weather conditions, most companies in the group improved their performance despite higher prices for raw materials, especially oil products, and a further depreciation of the dollar against the euro.

Economic revenue amounted to €8.2bn, up 7.3% on 2003. Like-on-like and at comparable exchange rates, the increase was 7.5%. A lower average dollar/euro parity in 2004 caused a further €98m drop in sales on top of the €240m fall in 2003.

In France, on markets that include roadbuilding and all civil works, Colas and its subsidiaries are in competition with Eurovia (Vinci), Appia (Eiffage) and a very dense network of some 1,600 small, medium and large regional and local firms. Lafarge and Ciments Français are competitors on the aggregates market, along with regional or local producers of aggregates, some of which also have a civil works activity. Subsidiaries operating in complementary activities compete with specialist subsidiaries of French and international construction groups and a number of small, medium and large regional and local specialist firms. Colas faces competition from French rivals Signature (Burelle), Girod and Lacroix on the signalling market and from international rivals Vossloh on the rail market and Amec Spie on the signalling, marking, pipes and mains and power distribution markets. Colas is first in the ranking of companies in the roads sector and second in the aggregate production, rail and waterproofing sectors. For other activities, a ranking would be meaningless.

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

Strong sales growth in France

Economic revenue in mainland France rose by 8% on 2003 to €4,719m (7% like-on-like).

Roads

With its 16 regional roads subsidiaries, Colas completes some 51,000 projects each year. They include transport infrastructure construction and maintenance (motorways, trunk roads, secondary and minor roads, airports, ports, tramways, bus lanes), logistics hubs, main services for cluster housing and apartment blocks, urban amenities (pedestrian areas, squares), leisure facilities (sports facilities, automobile race tracks, cycle paths) and environmental protection (retention basins, landscaping, etc.). This activity is supplemented upstream by the production of aggregates and the manufacture of roadmaking materials (asphalt mixes, binders, emulsions) for self-consumption or sale to third parties.

In 2004, in a market which grew by 6 to 7%, sales continued along the upward trend

Strong growth in sales and earnings
Further increase in net cash: +€233m

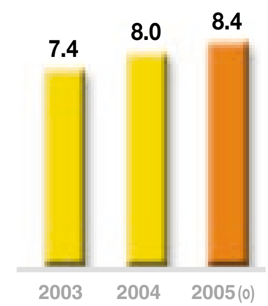
seen in the final quarter of 2003, rising by 8.2% to €3,733m. A high level of orders at the start of the year and good weather helped to ensure a pattern of regular activity throughout the year. Cuts in central government spending were substantially offset by local authority and private sector investment.

Safety and signalling

The safety and signalling business includes the manufacture, installation and maintenance of safety equipment (guard rails, warning signs), signalling devices (signs, trailers, painting and marking) and traffic management (traffic lights). Sales were comparable to 2003. The roll-over of maintenance contracts helped to maintain the Enterprise division's guard rail business at a satisfactory level and made up for a sluggish year in the road signs business, hampered by delays to the start of contracts.

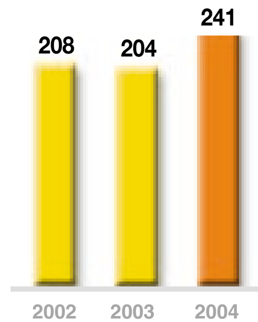
Sales

in billions of euros

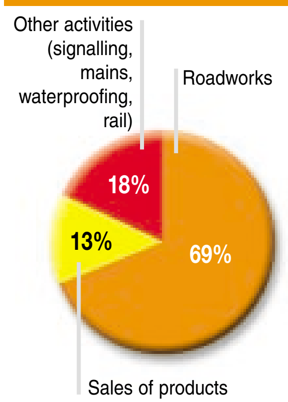


Net earnings

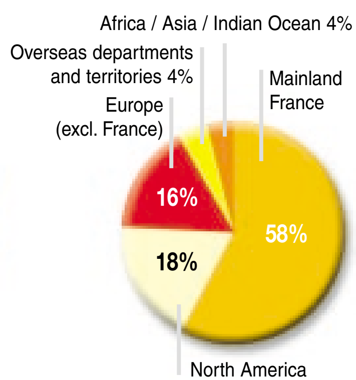
in millions of euros



Sales by segment

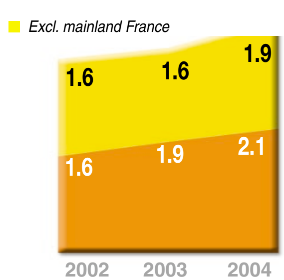


Sales by region



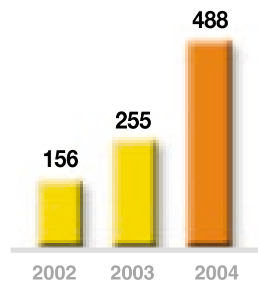
Order books

in billions of euros



Net cash

in millions of euros



Consolidated balance sheet at 31 December

ASSETS (in millions of euros)	2003	2004
FIXED ASSETS	**1,682**	**1,866**
Inventories	196	221
Trade and other receivables	2,050	2,217
CURRENT ASSETS	**2,246**	**2,438**
Cash and cash equivalents	385	635
TOTAL ASSETS	**4,313**	**4,939**
LIABILITIES (in millions of euros)		
Share capital and reserves	1,041	1,182
Minority interests	17	25
SHAREHOLDERS' EQUITY	**1,058**	**1,207**
Other equity	-	-
SHAREHOLDERS' EQUITY AND OTHER EQUITY	**1,058**	**1,207**
Provisions for liabilities and charges	489	541
Financial liabilities	61	73
LONG-TERM CAPITAL	**1,608**	**1,821**
CURRENT LIABILITIES	**2,636**	**3,044**
Short-term bank borrowings and overdrafts	69	74
TOTAL LIABILITIES	**4,313**	**4,939**

Consolidated income statement

(in millions of euros)	2003	2004
SALES	**7,426**	**8,013**
OPERATING INCOME	**262**	**289**
Net financial items	(1)	1
EARNINGS BEFORE TAX AND EXCEPTIONAL ITEMS	**261**	**290**
Net exceptional items	2	22
Income tax	(85)	(96)
NET EARNINGS OF CONSOLIDATED COMPANIES	**178**	**216**
Share in earnings of companies accounted for by the equity method	38	45
Amortisation of goodwill	(12)	(18)
NET EARNINGS BEFORE MINORITY INTERESTS	**204**	**243**
Minority interests	0	(2)
CONSOLIDATED NET EARNINGS (attributable to the Group)	**204**	**241**

Pipes and mains

The business includes the laying and maintenance of pipes and mains (large diameter pipes for carrying oil and gas, smaller diameter pipes for water, gas, electricity, heating, telecommunications, etc.), deep drilling, boring of micro-tunnels and medium diameter tunnels, small-scale civil works and industrial services. Sales were 11% up on 2003. Sustained activity in tunnelling, deep drilling and pipe laying made up for the gradual relinquishment of insufficiently profitable work for EDF and GDF due to lower investment and slower demand for industrial services.

Waterproofing

The waterproofing business includes the production and marketing of waterproofing membranes in France and on international markets, illumination and smoke extraction devices, the installation and maintenance of servo controls, road surface waterproofing (asphalt), and waterproofing and casings for buildings, offices and industrial plants (aluminium, steel). In a context of tight markets, especially for major steel covering contracts, and rising prices for raw materials, sales held up well and reached levels comparable to 2003.

Rail

The rail business concerns the construction and maintenance of rail networks (conventional track, high-speed train lines, tramway and underground lines). Sales were equivalent to the previous year. Activity in connection with the new high-speed link to eastern France, tramways and regional railways made up for a decline in maintenance contracts for RFF/SNCF caused by budget restrictions.

International: strong growth in central Europe and the Indian Ocean

Economic revenue on international markets and in France's overseas departments and territories rose by 6.4% to €3,444bn (8.5% like-on-like and at comparable exchange rates).

International sales in the roads sector are more or less identical to sales in mainland France, though individual projects tend to be larger in North America, central Europe and the Indian Ocean. Works activities are also supplemented by the upstream production of aggregates, asphalt mixes, emulsions and ready-mixed concrete. The share of this production sold to third parties may be larger, as is the case in North America. The main complementary activities outside France are pipes and mains and railway works in Europe, building and civil works in the Indian Ocean. The storage and marketing of oil products, mostly for roads (bitumen), is developing in Asia.

Europe

Sales outside France rose by 14.8% to €1,289m, of which northern Europe accounted for €751m and central Europe for €538m.

In Belgium, where spending on roads and motorways is falling, sales were boosted by a major renovation and structural maintenance project for the Antwerp ring-road. In Denmark, a plan to right-size the subsidiary was not sufficient to offset the effects of a further decline in the general level of prices. In the UK, the year was marked by the award of a €650m, 25-year PFI contract to upgrade and maintain Portsmouth's highways, representing 480 km of roads and bridges, 84 civil engineering works and 19,000 light points. In Ireland and Switzerland, sales were comparable to the previous year. 2004 was a record year in central Europe, with a 26% rise in sales due mostly to major motorway projects in Hungary and Romania. The market in Austria and Germany continued to shrink, while in Poland business seemed to pick up again in the second half of 2004 after several difficult years.

North America

North American sales amounted to €1,486m, 1.2% higher than in 2003. Like-on-like and at comparable exchange rates, this represented a 7% increase. In the United States, after a difficult year in 2003 due to adverse weather conditions, group subsidiaries reported an 8% increase in sales, sustained by the growth of the US economy and a revival of private-sector investment despite uncertainty caused by delays to the TEA-21 federal transport programme and the impact of rising prices for oil products. Most subsidiaries achieved satisfactory sales with the exception of Sully-Miller in California, hit by a market in recession. In Canada, activity in Quebec remained high in a stable market. Growth in the oil industry and in the timber industry in the western provinces helped to keep business buoyant.

Africa – Indian Ocean

In North Africa, the major works activity of Moroccan subsidiaries was limited by a policy of greater selectivity, giving priority to profit margins rather than volume. As expected, sales fell in West Africa due to the suspension of works in Côte d'Ivoire since September 2002, a decline in activity in Benin and the completion of projects in Burkina Faso and Mali. Sales in the Indian Ocean region increased significantly, especially in La Réunion, buoyed by major building contracts, and Madagascar where, with the help of international funding, priority is being given to the development of transport infrastructure.

Asia

In Thailand, works and quarrying activities expanded as a result of the revival of government investment. Exports to China fell back. In India, the group is continuing its successful expansion on the emulsions market. Two new production facilities were opened, bringing the total number up to six. In Vietnam, the acquisition of a company specialising in the purchase, storage and distribution of bitumen reflects an ongoing policy of developing the manufacture, storage and distribution of oil products (bitumen, emulsions).

OUTLOOK FOR 2005

Order books were up 21% at end-January 2005, offering good prospects for the first quarter. In France, many public transport, urban development, network maintenance and private investment projects have already been identified. The road, rail, waterproofing and signalling/safety markets are likely to remain robust. In central Europe and the Indian Ocean, Colas' strong local units should benefit from major modernisation projects.

Acquisitions made in late 2004 will contribute sales of around €200m in 2005. Other acquisitions under consideration in Europe and North America may be completed in early 2005.

Depending on acquisitions and economic conditions, Colas should again be able to make substantial progress in 2005, based on its key strengths: a network of profitable companies, 53,500 staff, a growing proportion of industrial activities, sufficient technical skills and financial resources to support the development of new forms of contracts (public-private partnerships) and a solid financial position.

Number one television group in France

2004 sales
€2,835m (+3%)
Operating income
€399m (+19%)
Net earnings (Group share)
€220m (+15%)
Employees
4,000

Sales objective 2005*
€2,930m (+3%)

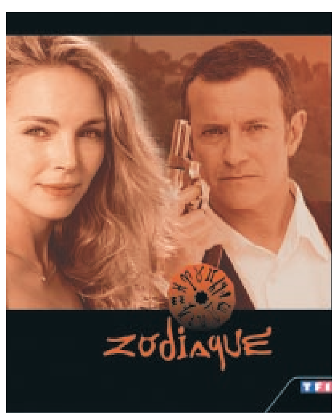
* IFRS standards

HIGHLIGHTS

- TF1's audience share rose by 0.3 points overall and by 1.1 points among women under 50.
- TF1 broadcast eight of the most important **Euro 2004** matches live on air. The Switzerland-France game attracted the largest audience of the year, with an audience share of 59.9%.
- **LCI** celebrated its tenth anniversary on 22 June. Since 1994, LCI has established itself as France's leading 24-hour news channel.
- **Eurosport** provided complete, live coverage of the Athens Olympics.
- On 20 December, **TF1** won the exclusive rights to broadcast the next Rugby World Cup, which will take place in France in 2007.
- In December, **TPS** signed up 66,588 new subscribers. In 2004, TPS exceeded its subscriber growth targets, attracting 209,000 new subscribers to its satellite service and almost 50,000 to TPS L.

TF1 is France's leading general-interest TV channel and is successfully developing other businesses such as the production and distribution of spin-off products, internet activities and interactive services, theme channels and the international expansion of the Eurosport channel, the sale of audiovisual rights and pay TV via TPS.

In 2004, TF1 reported a 3.4% rise in sales to €2,835m as a result of a 6.6% increase in advertising revenue and the solid performance of diversification activities. Excluding changes of method connected with IFRS convergence, sales would have increased by 6.6%. The cost of programmes on the core channel increased by 4.8% to €893.2m. Consolidated operating income rose by 19.4% to €398.8m, giving an operating margin of 13.9%, an improvement of 1.9 points on 2003. The Group share of net earnings increased by 14.9% to €220m and the net margin on operating revenue by 0.8 points to 7.7%.



In July 2004, Standard & Poor's confirmed TF1's A/Stable/A-1 rating, underlining its continued financial health.

The reorganisation of group companies and introduction of the IAS 14 accounting standard have led TF1 to change the way it reports segment information. Redeployment by rival media groups and the arrival in number of new players in the media sector, attracted by new possibilities for distributing programmes and services (DTT, ADSL, WiFi, mobile phones, etc.), have encouraged TF1 to reorganise so as to become more competitive in each of the sectors in which it operates. In addition, IAS 14 recommends giving fuller and more detailed information by line of business and geographical area than is required under French law. The group has accordingly been divided into five lines of business: French channels, international channels, distribution, broadcasting rights, other (VisioWave, Metro, Dfree).

French channels

TF1 core channel

In 2004, TF1's share of the audience over four years of age increased by 0.3 points to 31.8%. Even more significantly, TF1 gained 1.1 points of audience share among women under 50, which rose to 35.5%. It was the best increase in audience share of any channel in these two categories.

With 89 of the top 100 audiences in 2004, TF1 is the channel most watched by French viewers. Major football competitions, especially Euro 2004, were one of the outstanding

Improving margins
Audience share unrivalled in Europe

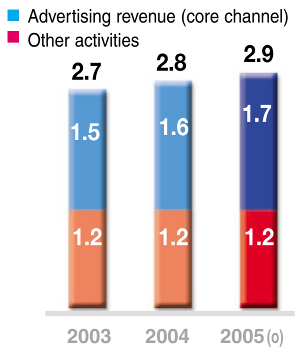
features of the year, attracting exceptionally large audiences. On 21 June, 15.3 million viewers watched the match between Switzerland and France, the biggest audience of the year of any channel. Serials and drama programmes took half of the places in the ratings, performing consistently well from one year to another. Between 8 and 11 million viewers regularly watched *Julie Lescaut, Une Femme d'Honneur, Navarro, Commissaire Moulin, Les Cordier Juge et Flic, Commissaire Valence and Joséphine, Ange Gardien*. The summer serial, *Zodiaque*, attracted almost 10.8 million viewers per episode on average, a record for the genre. As regards news, the 1.00pm bulletin drew an average audience share of 52% and the 8.00pm bulletin 40%. Entertainment and films are two more of the channel's strengths. *Astérix et Obélix: Mission Cléopâtre* attracted 12.4 million viewers and *Monsieur Batignole* 12.3 million. The cost of programmes for the core channel rose by 4.8% in 2004 to €893.2m.

French theme channels

The TF1 group continued its growth strategy on the pay TV market in 2004, in particular through its leading theme channels. At the end of the year, TF1 had stakes, directly or through TPS, in 23 theme channels that generated sales of €108.1m, 8.1% more than in 2003. After acquiring complete control of Histoire in June 2004, TF1 created a "Discovery" division comprising

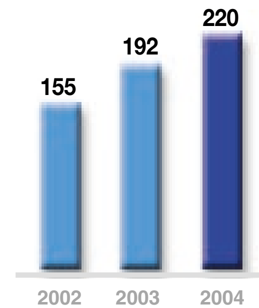
Sales

in billions of euros

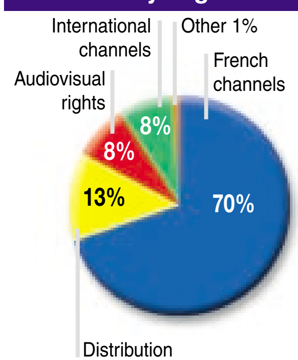


Net earnings

in millions of euros

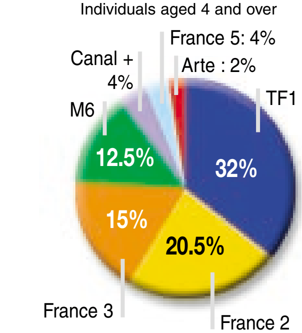


Sales by segment



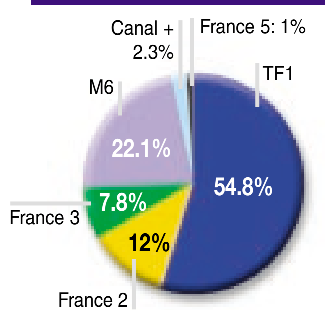
Audience share

Individuals aged 4 and over



Source Médiamétrie

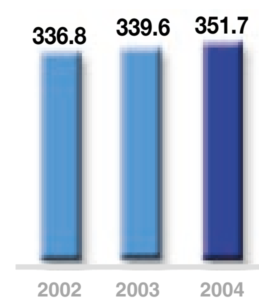
Share of advertising market



Sécodip Source

Investment in French production

in millions of euros



Consolidated balance sheet at 31 December

ASSETS (in millions of euros)	2003	2004
FIXED ASSETS	**1,220**	**1,231**
Inventories, programmes and broadcasting rights	704	551
Trade and other receivables	1,104	1,285
CURRENT ASSETS	**1,808**	**1,836**
Cash and cash equivalents	185	161
TOTAL ASSETS	**3,213**	**3,228**
LIABILITIES (in millions of euros)		
Share capital and reserves	866	952
Minority interests	-	(1)
SHAREHOLDERS' EQUITY	**866**	**951**
Other equity	-	
SHAREHOLDERS' EQUITY AND OTHER EQUITY	**866**	**951**
Provisions for liabilities and charges*	103	88
Financial liabilities	627	556
LONG-TERM CAPITAL	**1,596**	**1,595**
CURRENT LIABILITIES	**1,616**	**1,616**
Short-term bank borrowings and overdrafts	1	17
TOTAL LIABILITIES	**3,213**	**3,228**
* excluding deferred tax allocated to current liabilities	62	52

Consolidated income statement

(in millions of euros)	2003	2004
SALES	**2,743**	**2,835**
OPERATING INCOME	**334**	**399**
Net financial items	(14)	(19)
EARNINGS BEFORE TAX AND EXCEPTIONAL ITEMS	**320**	**380**
Net exceptional items	(8)	(1)
Income tax	(115)	(136)
NET EARNINGS OF CONSOLIDATED COMPANIES	**197**	**243**
Share in earnings of companies accounted for by the equity method	-	(5)
Amortisation of goodwill	(12)	(19)
NET EARNINGS BEFORE MINORITY INTERESTS	**185**	**219**
Minority interests	7	1
CONSOLIDATED NET EARNINGS (attributable to the Group)	**192**	**220**

Odyssée, Histoire and Ushuaïa TV, the latter launched in March 2005.

In 2004, TF1 also acquired an 11.4% stake in Pink TV, France's first gay theme channel, launched in October 2004. In February 2005, in partnership with AB, it finalised the acquisition of 80% of TMC from Pathé.

Digital Terrestrial Television (DTT)

LCI, TF6, Eurosport France and TPS Star are four of the channels chosen by the CSA (France's audiovisual watchdog) to supplement the offer of DTT pay channels. TV Breizh has applied for a free unscrambled DTT channel in the latest round of bidding.

A decision is expected in early June 2005.

Advertising

With the economy picking up slightly, net advertising revenue rose by 6.6% for the core channel and 25.5% for theme channels. However, advertisers still tend to take a wait-and-see, opportunistic and short-term attitude. TF1 consolidated its leading position in 2004 with a 54.8% share of the TV advertising market, up 0.1 points on 2003.

The opening of the advertising market to the press sector on 1 January 2004 has benefited TF1: 70% of press

advertisers present on TV have chosen the channel for their campaigns, spending €41.4m.

Production companies

TF1 has developed a number of production companies to provide its channels with programmes (TF1 Film Production, Glem, TF1 Publicité Production, Alma, TAP, Yagan and Studios 107), covering all types of output, from films and entertainment to short features, documentaries and fiction.

TF1 Films Production coproduced 23 feature films in 2004, nine of which attracted over 1 million cinema-goers (*Un long dimanche de fiançailles, Podium, L'Enquête Corse, Deux Frères,* etc.). TF1 Films Production reported a 12.2% rise in sales to €14.7m.

Content and spin-offs

TF1 Entreprises operated in a difficult business environment in 2004: the market for board games and CDs shrank, Ushuaïa brand products faced stiffer competition and the Star Academy brand reached maturity.

Teleshopping, a distance shopping operator, reported a 13.2% jump in sales on all media (broadcasts, catalogue and internet) to €82.6m. The operating margin increased from 6% in 2003 to 11.5% as a result of sharply rising sales and lower sub-contracting costs.

Sales at **e-TF1** rose by 83.8% to €47.8m, boosted by a 42% increase in site users, the spread of mobile multimedia (i-mode, WAP, Gallery, etc.) and the success of the programme *A prendre ou à laisser*.

International channels

Eurosport International

Eurosport, broadcast in 19 languages, was received in 98 million homes in 54 countries at end-2004, including 51.5 million as a pay channel, an increase of 7.3% on end-December 2003. It is watched by an aggregate daily audience of 22.7 million viewers, an increase of 8% over the same period.

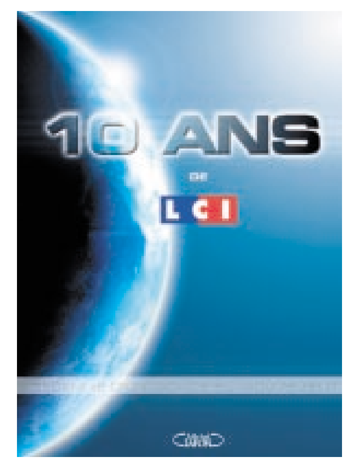
Eurosport 2, launched on 10 January 2005, will gradually replace Eurosportnews in Europe.

A genuine complement to Eurosport, its schedule targets younger viewers and combines news, magazines and 1,800 hours of sporting events per year, including 450 hours of exclusive live coverage.

Eurosport International reported a 1.7% rise in sales in 2004 to €239.2m.

Sportitalia

The sports channel Sportitalia was launched in Italy on 6 February 2004. A free-to-air channel broadcast on the analogue network, it is watched by over 9 million viewers a week and has successfully established itself in Italy's audiovisual landscape.



Distribution

Télévision Par Satellite – TPS

The TPS digital service had 1,675,000 active subscribers at end-December 2004, including 1,355,000 with satellite dishes or ADSL connections and 320,000 subscribers to TPS Cinéma channels via cable and satellite networks (figures include mainland France and overseas dependencies).

TPS generated sales of €380.1m in 2004, up 7.4% on the previous year. Average revenue per subscriber rose slightly to €37.7. TPS's satellite business broke even for the first time in 2004, enabling the division (including the ADSL business) to reduce its total net loss from €6.4m to €3.4m.

On 15 October 2004, TPS L extended its coverage to a further 15 cities. The Double Play offer of TV plus broadband internet access is now available to 5 million homes.

TPS took part in the bidding organised by the French Football League for the three-year rights to broadcast the Premier League championship but decided not to add further to an already unreasonable asking price. Canal + ultimately acquired the rights for an annual fee of €600m. But TPS improved its recruitment of new subscribers at the end of the year and is devoting the money it has saved on football to improving its offering in other areas.

Audiovisual rights

Despite a decline in rental activity after the contract to distribute the Buena Vista Home Entertainment catalogue ended on 31 December 2003, **TF1 Vidéo** reported a 9.5% increase in sales in 2004 to €235.7m, before changes in presentation due to the introduction of new accounting standards.

A strong line-up of new releases led the way during the year, including part three of the *Lord of the Rings trilogy, Kill Bill Volume 1, Immortel, 7 Ans de Mariage* and *The Passion of the Christ* and sketches by comedians Jean-Marie Bigard and Dany Boon. 19.7 million video-cassettes and DVDs were sold, a 30.5% rise on 2003.

TF1 International reported a 37% increase in sales to €39.3m, mainly due to revenue from the sale of films like *Secret Agents* and *Arsène Lupin*.

OUTLOOK FOR 2005

Although the advertising market is hard to predict, the core channel's advertising revenues should grow in line with the market in 2005, at between 3% and 4%, while consolidated sales could rise by 3-5%. Programme costs are not expected to increase by more than 4%.
The TF1 group is maintaining the strategy it has pursued for several years:

- remaining France's leading programme producer,
- continuing to develop programme and service distribution,
- confirming Eurosport's status as the leading pan-European channel,
- developing its other businesses: video sales, distance shopping and the sale of audiovisual rights, which should have another year of profitable growth in 2005.

Bouygues Telecom

Mobile communication services

2004 sales
€3,674m (+12%)
EBITDA / sales from network
35.3 % (vs 33.4%)
Net earnings (Group share)
€321m (+60%)
Employees
7,400

Total sales objective 2005*
€4,540m (+24%**)

** +5% excluding mobile-to-mobile billing

Net sales from objective 2005*
€4,240m (+27%**)

** +7% excluding mobile-to-mobile billing

** IFRS standards*

HIGHLIGHTS

- April: launch of a **new range of SMS contract plans** starting from 7.1 euro cents per SMS
- May: introduction of **video services on i-mode™**
- June: publication of **white paper** *"Healthy competition for the benefit of consumers"*
- August: link-up with Universal Music for the launch of **Universal Mobile** contract plans
- September: new brand campaign ***"A new world. Your world."***; launch of Liberté contract plans
- October: customer numbers break the **7 million barrier**
- November: introduction of new i-mode, **Digital*video* and Digital*sound*** services
- December: almost one million i-mode™ users

Just over eight years after it was launched, Bouygues Telecom broke the 7 million customer barrier. In 2004, the company took an innovative sales approach to all its product lines. More than 66% of its customers are on contract plans and Bouygues Telecom is continuing to increase its market share.

There is still scope for real growth on the French mobile phone market in terms of penetration. Bouygues Telecom is France's third mobile phone operator, with 16.8% of the market by volume and approximately 18.9% of the market by value.

Shaking up the market

In 2004, taking advantage of market growth, Bouygues Telecom continued to offer innovative services, in line with customer expectations and usage habits. Its aim is to become "the preferred brand of mobile communication services".

Increasingly generous contract plans

Bouygues Telecom's contract plans are based on its mainstream Référence and Intégral plans and mini-contracts for small-scale users. In September, Bouygues Telecom introduced its Liberté plans which offer an additional 10 hours of free calls to any operator.

Nomad card: constant innovation

Bouygues Telecom has introduced innovations for its prepay customers: with the Avantage Flash, they can send an SMS for just 7.5 euro cents. Bouygues Telecom also offers a range of handsets that can send MMS messages and take photos.

Corporate solutions

To attract new business customers on a market where equipment rates are still relatively low and to grasp the opportunity of number portability, Bouygues Telecom has continued to develop personalised services. Distribution has been optimised: specific teams have been assigned to major accounts like EDF, French Customs, BNP Paribas, Mercedes Benz, Danone and Galeries Lafayette, while small businesses have their own local distribution network. In 2004, Bouygues Telecom introduced Instant Call, the first push-to-talk service on a GPRS network. Business customers also have access to WiFi services under agreements with most owners of WiFi access points in France and elsewhere to ensure extensive coverage. Bouygues Telecom customers can thus access over 7,000 connection points worldwide, over 6,000 of them in mainland France.

60% growth in net earnings
1 million i-mode™ customers

Cheaper SMS

For new customers, Bouygues Telecom has cut the price of an SMS by 20% to 12 euro cents and has contract plans under which the price can fall to 7.1 euro cents.

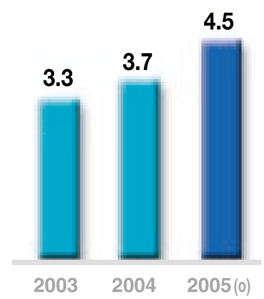
i-mode™ for everyone

i-mode™, introduced in Japan in 1999, is now a global reality with over 46 million customers worldwide. The i-mode Alliance, recently joined by mmO2 (UK), MTC (Russia) and StarHub (Singapore), brings together 13 partners around DoCoMo across the world.

Bouygues Telecom, with over one million i-mode™ customers, is a major player in the Alliance. Since May 2004, i-mode™ has been available to all customers with a full or mini contract plan.

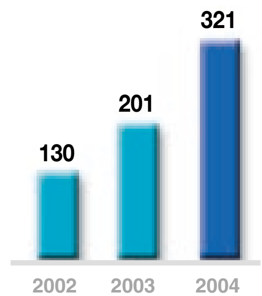
Sales

in billions of euros



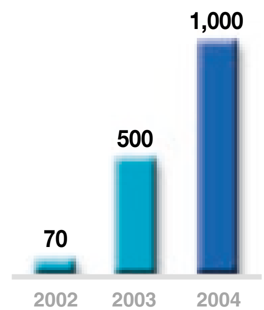
Net earnings

in millions of euros

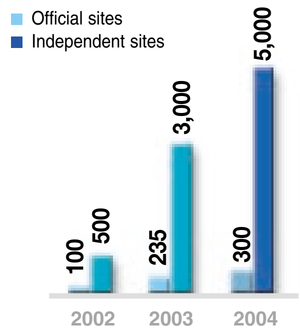


Number of i-mode customers

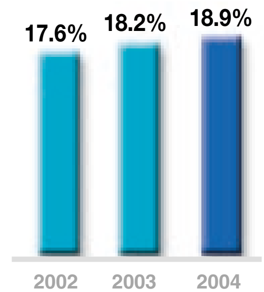
in thousands



Number of i-mode sites

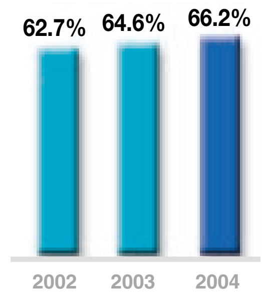


Market share by value



Proportion of contract plan customers

as a % of total customer base



Consolidated balance sheet at 31 December

ASSETS (in millions of euros)	2003	2004
FIXED ASSETS	**3,199**	**3,129**
Inventories	96	88
Trade and other receivables	1,283	1,157
CURRENT ASSETS	**1,379**	**1,245**
Cash and cash equivalents	303	15
TOTAL ASSETS	**4,881**	**4,389**
LIABILITIES (in millions of euros)		
Share capital and reserves	1,553	1,787
Minority interests	-	-
SHAREHOLDERS' EQUITY	**1,553**	**1,787**
Other equity	767	614
SHAREHOLDERS' EQUITY AND OTHER EQUITY	**2,320**	**2,401**
Provisions for liabilities and charges	36	175
Financial liabilities	1,232	597
LONG-TERM CAPITAL	**3,588**	**3,173**
CURRENT LIABILITIES	**1,191**	**1,216**
Short-term bank borrowings and overdrafts	102	0
TOTAL LIABILITIES	**4,881**	**4,389**

Consolidated income statement

(in millions of euros)	2003	2004
SALES	**3,283**	**3,674**
OPERATING INCOME	**461**	**549**
Net financial items	(144)	(70)
EARNINGS BEFORE TAX AND EXCEPTIONAL ITEMS	**317**	**479**
Net exceptional items	47	34
Income tax	(166)	(191)
NET EARNINGS OF CONSOLIDATED COMPANIES	**198**	**322**
Share in earnings of companies accounted for by the equity method	-	-
Amortisation of goodwill	-	(1)
NET EARNINGS BEFORE MINORITY INTERESTS	**198**	**321**
Minority interests	3	-
CONSOLIDATED NET EARNINGS (attributable to the Group)	**201**	**321**

Customers have access to an enhanced portal with 300 official sites, 5,000 independent sites, more than 200 games and 50 Java™ applications. New features are constantly being added: video was introduced in May, Digital*sound* and Digital*video* in November. Customers can also choose between a wide range of attractively priced handsets.

Universal Mobile, a unique service for young people

A new service that creates value, brings a strong brand into the market and makes optimum use of the network: that is the MVNO concept (mobile virtual network operator) promoted by Bouygues Telecom, in partnership with Universal Music. This link-up with a major group partly solves the MVNO conundrum and gives the market a unique offering.

On 25 August 2004, Universal Mobile launched three locked top-up contracts with attractive usage and price features: billing by the second from the first second, SMS at 9 euro cents and a double talk time option. Another unique innovation is the "call me" security feature (users can still send five SMS after their credit is exhausted). They are the first no-commitment contracts designed specifically for young people (SIM cards can be purchased from newsagents). For the first time, the "double talk time after school" option and billing by the second are valid for calls not only to landline phones but also to the three mobile operators. Universal Mobile contracts also open the door to the world of Universal Music.

Listening to customers

Bouygues Telecom continued to develop its own distribution network in 2004 and to harmonise the 450 Bouygues Telecom Clubs. Through personal attention to customer requirements, the company undertakes to support its customers at all times, including in emergencies.

Having acquired the Bourges call centre from Infomobile, Bouygues Telecom now has six customer relations centres with over 2,700 multi-skilled customer advisers. Bouygues Telecom products and services are on sale at almost 70,000 outlets, from big supermarkets to small local retailers, including over 4,000 which deal exclusively with new customers. They are also available on the internet at L@ boutique.

Fast response

On 17 November 2004, a fault in the equipment that identifies subscribers caused a general failure of the Bouygues Telecom network. The entire workforce mobilised immediately, enabling the company to handle 50% of a normal day's traffic and then to gradually re-establish the whole network. Additional steps were taken to assist customers and compensate them for the inconvenience resulting from the failure. Bouygues Telecom is taking legal action against the supplier of the equipment that failed.

Technological choices

Bouygues Telecom continued to increase the density of its GSM network in 2004 (it now has 11,300 base stations) and spent almost €450m on optimising coverage and meeting the growth in traffic. In July 2004, Bouygues Telecom committed to participating in Phase 2 of the programme to cover blind spots.

Bouygues Telecom has chosen EDGE as its first broadband technology, to be followed by second-generation UMTS (HSDPA). The first-generation UMTS technology currently available is not as promising as had been expected. After successful trials, EDGE is being rolled out so as to offer nationwide coverage in 2005. UMTS trials began in late 2004 in the Paris region. These technological choices are complementary and pragmatic in terms of investment and will enable the company to adapt its offering to customers' expectations and the changing usage of data services.

Two distribution subsidiaries

Réseau Club Bouygues Telecom (RCBT), a wholly-owned subsidiary, coordinates the 450 boutiques in the network of Bouygues Telecom Clubs which, covering the whole country, develop close customer relations. The establishment of a network of 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 has sought to ensure a better balance since 2003 by opening outlets in thriving shopping centres. RCBT reported sales of €229m in 2004.

Téléciel, a wholly-owned subsidiary, is a wholesale distributor of telecommunications products and services. It supplies handsets and recharge cards to a network of 1,800 sales outlets. Some of them specialise in mobile phones, others are members of store chains with a wider range of activities. Téléciel was named Best Wholesaler of 2003 by the trade magazine *Distribution et Filaires*. It has expanded considerably over the last two years, generating sales of €94m in 2004.

French Antilles

Bouygues Telecom Caraïbe (BTC), a wholly-owned subsidiary, opened its network in Martinique and Guadeloupe in 2000, subsequently extending it to French Guiana. Proposing products suited to the local market, the company has over 130,000 customers. Like its parent company, in 2004 it established a network of Bouygues Telecom Clubs, giving it a local retail presence in the three Caribbean départements. Bouygues Telecom Caraïbe reported sales of €101m in 2004 while also optimising its operating costs. Following a complaint against Orange for anti-competitive practices in the Caribbean, the Competition Council ordered interim measures in favour of Bouygues Telecom Caraïbe which will enable the company to pursue its business on a fairer, more open market while awaiting a final decision.

Regulatory issues

2004 was a particularly busy year on the regulatory front, marked by a number of important issues for Bouygues Telecom's future.

Renewal of competitors' GSM licences. Orange France and SFR's GSM licences will expire on 25 March 2006. Their renewal of the licences is conditional on:

- a requirement to provide information about the location of transmitter sites and coverage;
- more stringent coverage requirements (the three operators' arrangements to cover blind spots will also be taken into account);
- extension of service quality obligations to data services.

On renewal, the government has set the licence fee for using GSM frequencies at €25m per year and 1% of sales. These terms are likely to apply to Bouygues Telecom when its GSM licence expires on 8 December 2009.

Regulatory changes

- **Law on electronic communications and audiovisual communication services.** The new European regulatory framework known as the "Telecoms Package" was transposed into French law on 9 July 2004 by a law that substantially amends the previous Posts and Telecommunications Code. Network operation and the provision of services are now subject merely to a notification requirement rather than specific authorisation, except where the use of scarce resources, frequencies and numbers is concerned. The ART, the French telecommunications regulatory authority, was also given greater investigative and disciplinary powers. By tightening up the system for regulating "relevant markets" (which may be subject to specific sectoral regulation), the law gives the ART new powers in economic matters. In association with the minister for industry, it also mandates the ART to improve consumer protection.

Law for confidence in the digital economy. Passed on 21 June 2004, the law defines electronic communications, determines ISPs' liability for content and regulates online commerce. It also gives greater scope for action to local authorities, which can now establish and operate telecommunications networks. It creates a legal framework for mobile operators' use of local roaming and the sharing of passive infrastructure created by local authorities to cover blind spots, requires operators to offer billing by the second (mandatory for prepaid services) and provides for free access from landline and mobile phones to certain special numbers allocated to social services.

Ongoing relevant market analysis

- Voice call termination on mobile networks. Following a public consultation on wholesale mobile voice call termination, the ART found that Bouygues Telecom had significant market power in the same way as its two rivals. This implies a certain number of obligations. Bouygues Telecom will have to comply with the programme to cut wholesale voice call termination prices by 37% over a two-year period: 17.3% on 1 January 2005 (16.3% for its two rivals) and 24% on 1 January 2006. A third reduction is scheduled for 1 January 2007, the level of which will be decided in 2006. On 1 January 2005, the three mobile phone operators must also end the bill-and-keep system in place since French GSM networks were first established.
- **Access and call origination on public mobile networks.** In December 2004, the ART submitted its analysis of the wholesale access and call origination markets on public mobile networks for public consultation. It found a situation of significant market power exercised jointly by the three mobile operators, consisting in not hosting on their networks a mobile virtual network operator (MVNO) that might significantly and lastingly stimulate competition. In a letter to the ART, Bouygues Telecom took issue with the entire approach and refused to respond to the consultation.
- **SMS termination.** In July, the ART launched an analysis of wholesale SMS termination services on mobile networks with a view to gaining a better understanding of the segment and possibly identifying a new relevant market.

OUTLOOK FOR 2005

In a maturing market, Bouygues Telecom intends to increase profitability in 2005. It is aiming to increase net sales from network by 7% on the back of new services and innovative offers. It will also keep a firm grip on commercial costs.

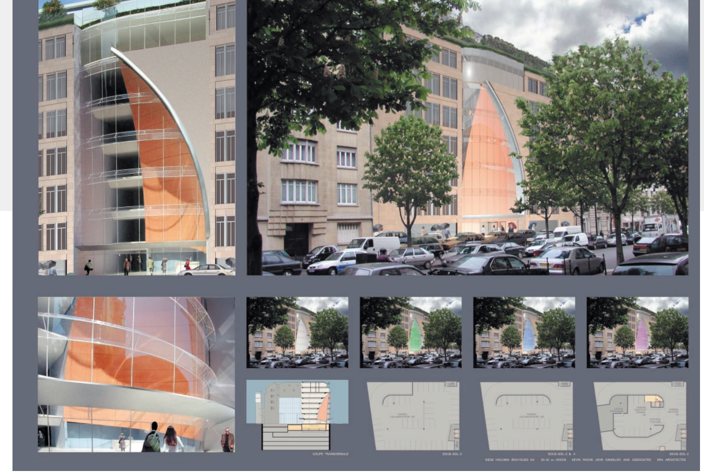
In 2005, Bouygues Telecom has set itself three major objectives:

- providing both individual and business customers with a service that is increasingly tailored to their needs, in line with the Bouygues Telecom brand promise,
- continuing to devise novel and generous offers for all customers and to develop i-mode usage,
- making the EDGE launch a success and preparing to implement second-generation UMTS.

Bouygues SA

Sales 2004
€68m (+10%)
Operating income
-€30m (-25%)
Net earnings (Group share)
€586m (x 2.7)
Employees
227

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



Bouygues SA new head office project, Avenue Hoche in Paris. Architect: Kevin Roche

For Bouygues SA, 2004 was marked by an exceptional payout of 5 euros per share and the disposal of Saur

Exceptional payout

Because of the favourable outlook for the Group, the Board of Directors asked the Shareholders' Meeting on 7 October 2004 to make an exceptional payout of 5 euros per share. The shareholders approved the proposal, and the payout took place on 7 January 2005.

It had no effect on Bouygues' S&P credit rating of A-/stable/A-2.

Disposal of Saur

After launching an invitation to tender on 23 July 2004, Bouygues sold Saur to PAI partners under an agreement signed on 19 November 2004. The sale does not include Saur's African and Italian subsidiaries, which have been taken over by Finagestion, a wholly-owned Bouygues subsidiary. PAI partners paid €1,031m for Saur and Bouygues has paid €58m for a 15% stake in the company formed by PAI partners to make the acquisition.

The disposal of Saur reflects the Bouygues group's strategy of refocusing its activities.

Other events

On 24 March 2004, Bouygues exercised its option of redeeming in advance all the bonds convertible into new shares and/or exchangeable for existing shares still in issue (OCEANE, 1.70%, 1999-2006). As a result of this transaction 13,556,732 new shares were created, 260,718 bonds that Bouygues had bought back were cancelled and 33,379 bonds were redeemed for €8.8m. During the first half of the year Bouygues bought on the market and cancelled a quantity of shares equivalent to all the shares created, thus stabilising the number of shares on 30 June at the end-2003 level.

On 29 October 2004, Bouygues tapped the financial market with a €1bn bond issue outside France. Therefore, one million bearer bonds maturing 29 October 2014 were issued for €1,000 par at a fixed rate of 4.375%.

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

Bouygues SA pays particular attention to Group management, taking steps to encourage exchanges and ensure maximum benefit from the accumulated experience within the Group, and to promote personal development and the Group's corporate values and spirit.

Financial flows

In 2004, Bouygues SA received dividends totalling €432,942,217 from the following subsidiaries:

Bouygues Construction:	€30,010,288
Bouygues Immobilier:	€28,035,000
Colas:	€87,850,077
TF1:	€57,497,316
Saur:	€225,918,053
Other:	€3,631,483

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.

Disposal of Saur

On 19 November 2004, Bouygues sold Saur to investment funds managed by PAI partners. Saur's businesses in Africa and Italy were not included in the sale and were taken over by Finagestion, a Bouygues subsidiary. Deconsolidation is effective at 31 December 2004.

Saur reported total sales of €2,454m in 2004. Sales before surcharges, licence fees and additional taxes invoiced on behalf of third parties amounted to €1,570m compared with €1,592m in 2003. Like-on-like and at comparable exchange rates, these figures rose by 4.7%.

Operating income rose from €87.8m in 2003 to €91.1m. This increase of €3.9m, coupled with €38.7m from the sale of Saur Water Services, produced a real rise of €42.6m, to which Saur France contributed €10.5m and international activities €22m. Net exceptional items showed a €49.2m loss after the company booked a €20.2m loss on deconsolidation of the businesses in Italy and Africa, transferred to Finagestion. A charge of €19.6m was also booked following impairment tests at 31 December 2004. The net loss attributable to the Group amounted to €2.5m compared with €16.7m in 2003.

Saur France

France's third largest provider of delegated water and sewage services, Saur France supplies drinking water and treats wastewater for 6 million people in 7,000 communities. Through four specialist subsidiaries, Saur France is also involved in works activities associated with its core business, including the refitting and renovation of plants and the laying and replacement of pipes. These works activities have expanded significantly in recent years and generated revenue of €141m in 2004. This was 20% more than in 2003, when sales in turn increased by 14% on 2002.

Saur France reported consolidated sales of €1,431m in 2004, up 2.3% on 2003. Sales excluding surcharges collected for local authorities, amounted to €832m, 4.2% higher than the previous year, due to a sharp rise in works activities. Revenue from services provided increased by 2.1% on 2003, when the very hot weather caused a sharp rise in water sales.

Saur International

Saur International reported consolidated sales of €648m, representing 26% of consolidated Group sales, compared with €726m in 2003, a decline of 10.8%. The decrease was due to exchange rate factors and changes in the scope of consolidation, notably the disposal of Saur Water Services.

In **Spain**, Emalsa, Gestagua and Sercanarias generated sales of €48m, 6.9% more than in 2003. Aguas de Valencia (consolidated by the equity method) is continuing to implement the contract to produce and supply drinking water to the city of Valencia. In **the UK**, the principal business consists in operating a wastewater treatment plant in Glasgow, generating €2.5m. 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 €16.6m compared with €18m in 2003. As in 2003, the company was able to keep going without calling on its shareholders. In **Poland**, Saur Neptun Gdansk generated sales of €31.1 million, an increase of 4.4% on the previous year. In **Italy**, sales amounted to €30.7 million. In **Mali**, Saur achieved sales of €41.8m through Energie du Mali and Hydro-Sahel, up 5% on 2003. Difficult negotiations are taking place with the customer regarding the price cuts agreed with the local authorities. In **Côte d'Ivoire**, the aggregate sales of CIE (power generation and distribution), Sodeci (water production and distribution), Ciprel (thermal power plant) and Foxtrot (offshore gas production) rose by 11.7% to €410m despite the serious disturbances that took place in the second half of the year. Water and power supplies have been maintained. In **Senegal**, Sénégalaise des Eaux generated €67.5m, up 1.5%. In **South Africa**, Siza Water achieved sales of €3.7m, up from €3.1m in 2003.

All the businesses in Africa and Italy have been or are to be transferred to Finagestion, a wholly-owned Bouygues subsidiary, under the terms of the agreements between Bouygues and PAI partners for the sale of Saur.

Coved

Coved continued to expand in its various businesses and is consolidating its position on the French waste market. Consolidated sales rose by 16.8% to €271m. The acquisition of Sorediv and AMD in April 2004 enabled Coved to increase its share of the industrial waste market by approximately €40m.

Stereau

Stereau, a design and construction subsidiary for wastewater treatment and drinking water production plants, reported a 12.9% increase in sales on 2003 to €100m. The main projects completed during the year were the plants at Pau (Pyrénées Atlantiques, 260,000 pe*), Lanester (Morbihan, 55,000 pe) and Auray (Morbihan, 40,000 pe).

** pe: population equivalent*

Main events since 1 January 2005

On 10 January 2005, Bouygues Telecom passed the **1 million i-mode customers** mark. i-mode users now make up 25% of its contract customers. Bouygues Telecom introduced new products in early 2004, including the Reference Online 4h contract and the Expression contract, offering unlimited calls to all landline phones in France after 6.00 p.m. and at weekends.

On 12 January 2005, Bouygues Construction handed over the 75,000 m^2 **Home Office headquarters in the UK**. The €225m contract will be extended by a 26-year maintenance and facilities management contract worth approximately €15m a year.

On 12 January 2005, ETDE, a Bouygues Construction subsidiary, won a contract to supply **electrical equipment for a hospital in Martinique**, which comes in addition to four similar hospital contracts concluded in 2004.

Bouygues Construction was awarded a €140m contract to build **two towers of 71 and 63 floors in Singapore** on 24 January 2005. The Sail@Marina Bay towers will be the world's tenth highest, measuring 245 and 215 metres respectively.

On 1 February 2005, Colas announced the completion of **six acquisitions**: a quarry in Poland, a civil works contractor in Slovakia, a roads company in Alaska, a crushing and manufacturing company in La Réunion and two road marking companies, one in France, the other in the Netherlands.

On 8 February 2005, Bouygues Immobilier laid the **first stone of Exaltis**, the latest new office building in the heart of the La Défense business district.

On 7 March 2005, Bouygues, Bouygues Telecom, TPS, Orange and France Telecom announced a joint venture to test **digital television broadcasting via mobile phones** using the new DVB-H standard, an adaptation of the DTT standard for mobile use. The trial will enable customers to receive digital-quality TV channels directly on their mobile phones, regardless of the number of users connected at any given time in the same area. A panel of testers chosen from among operators' existing customers will be offered a mini-selection of channels offering the most attractive television content (TF1 and M6 plus news, sports, music and youth channels selected from TPS). New interactive services will also be offered, for example allowing users to watch a programme and simultaneously access associated services via their mobiles. TPS, Orange and Bouygues Telecom will be applying to the CSA, the French broadcasting authority, for a licence to broadcast for a six-month trial period starting in June 2005.

On 25 March 2005, Bouygues Travaux Publics secured a contract with Framatome ANP, an Areva and Siemens company, to build the **Olkiluoto nuclear power station in Finland**. Winning the contract is important for Bouygues Construction, since the project to build a 1,600 MW EPR pressurised water reactor marks a first step in the revival of major construction plans in the nuclear industry.

ENVIRONMENTAL AND SOCIAL INFORMATION - RISKS

Environment: practical initiatives

The Group's different businesses are concerned by environmental issues to varying degrees. Between TF1, a media company and broadcaster, and Colas, which lays millions of tonnes of bitumen every year and builds and maintains thousands of miles of roads and motorways, the environmental imperatives and responses to them are very different.

Whatever their specific environmental strategies and actions, there are two main threads that link all five of the Bouygues group's business areas: waste management and control of consumption. At the same time, each division takes initiatives consistent with their particular characteristics. Colas and Bouygues Telecom, for example, have decided to join the Global Compact, a UN-sponsored international initiative that encourages companies to make a voluntary commitment to sustainable development.

Collecting and recycling waste

Bouygues Construction

In accordance with local legislation, Bouygues Construction is introducing schemes for sorting construction site waste. Its Habitat Social subsidiary is testing a traceability system in the Paris region which will make it possible to track individual skips.

Most of the waste produced by Bouygues Construction comes from civil works (spoils) and the demolition and renovation of buildings. It poses few hazards, since 95% is inert or similar to household waste. However, it is produced in great quantity and teams at Bouygues Construction are trying out various recycling methods, including the use of eco-materials made from recycled construction site or household waste that have similar characteristics to noble materials.

Colas

The figures for industrial wastes collected by Colas at workshops in mainland France reflect two contrary trends: a decrease in relation to 2003 due to destocking and reductions at source as a result of applying ISO 14001 procedures, and an increase resulting from improved collection rates.

Behind these figures can be seen a genuine commitment over a number of years to making employees throughout the company more aware of environmental issues. It may take many different forms, such as the creation of a training module at Colas University and internal communication initiatives in subsidiaries like Colas Switzerland and Sacer Atlantique.

ETDE puts sorting bins into aerial lifts

As part of its policy of improving waste management, ETDE has introduced waste sorting in all its centres and on all work sites and reuses backfill from recycled excavation materials wherever possible. To make waste collection easier, ETDE has developed a motorised aerial lift with incorporated sorting and recycling bins, especially for hazardous waste (e.g. bulbs, tubes and contaminated cleaning rags). One of their chief uses is on lighting maintenance contracts.

Collection of special industrial wastes at Colas

(in mainland France, in tonnes)	2003	2004
Aerosols	13.0	14.0
Batteries	96.0	115.0
Degreasants	4.8	2.5
Diluents	10.0	2.5
Adhesives and paints	18.5	5.0
Packaging	14.5	15.0
Petrol and diesel	3.5	4.5
Oil filters	105.0	97.0
Coolants	14.0	9.0
Flat batteries	2.5	4.0
Contaminated solids	50.0	44.0
Empty barrels	1.0	1.0
Total tonnage	**333**	**314**

Collection of office waste at TF1

	2001	2002	2003	2004
Paper waste	23 t	25 t	25 t	22 t
Neon tubes	393 kg	719 kg	670 kg	754 kg
Flat batteries	510 kg	779 kg	743 kg	732 kg

TF1

TF1 has introduced a set of environmental tracking indicators and provides an annual summary of results to the Board of Directors.

Waste sorting has been encouraged wherever possible, taking account of the specific characteristics of TF1 sites. At headquarters, in view of the amount of waste and the logistics of disposal, the support services division decided to acquire a waste compactor, in operation since August 2003. The compacted waste is then removed and sorted by a specialist company at a dedicated off-site facility.

Bouygues Telecom

An office waste sorting scheme has been in operation at all Bouygues Telecom sites since the end of 2003. After one year, 78% of recovered waste met the sorting criteria.

The 500 Bouygues Telecom Clubs and customer centres run a scheme to collect non-functioning mobile phone batteries, which are then removed by a specialist recycling company. Similar schemes have been organised for pencil batteries and office supplies. Network batteries were collected in large numbers in 2003 due to an exceptional maintenance campaign; the figure returned to normal in 2004.

Handsets and accessories declared to be non-functioning by the after-sales department are removed by a company that dismantles and recycles them. Working handsets are reconditioned and sold on in emerging countries, giving disadvantaged populations access to means of communication. With this in mind, since September 2004 thirteen Bouygues Telecom Clubs have been taking part in a pilot scheme to collect handsets at sales outlets.

Waste collection and recycling at Bouygues Telecom

	2003	2004
• Batteries collected at Bouygues Telecom sites (+76%)	416 kg	732 kg
• Handset batteries collected (+50%)	2 tonnes	3 tonnes
• Network batteries recycled (-27%)	37 tonnes	27 tonnes
• Handsets collected for reconditioning or recycling (+82%)	60,000	109,000
• IT components collected for recycling (x3.2)	2,000	6,482
• Network equipment recycled (excl. batteries) (+7%)	100 tonnes	107 tonnes

Controlling consumption

Eco-building at Bouygues Construction

Bouygues Construction uses initiatives like poster and sticker campaigns to promote awareness among its staff of the need to save resources, energy and water on project sites and has developed eco-building know-how. The French eco-building label HQE (which stands for High Environmental Quality) is based on strict environmental criteria for the use of materials, energy management and work on-site.

Product innovation at Colas

Colas is developing methods which, by reducing laying temperatures, help to limit energy consumption when asphalt mixes are applied. Many years of research culminated in two highly innovative techniques introduced in 2004:

- low-temperature asphalt (a 100°C reduction in laying temperatures),
- environment-friendly warm-mix asphalt.

Saving energy with cranes and prefabricated site offices

Cranes belonging to Bouygues Construction, which account for 72% of the installed base, are now equipped with variable frequency motors which reduce energy consumption and noise, especially on start-up. Prefabricated site offices belonging to Bouygues Construction, which account for 50% of the installed base, are insulated on all sides and the sandwich panels used for the walls are 5 cm thick rather than the usual 3 or 4 cm. In addition, modules can be equipped as necessary with air conditioning units, timers for power and heating, and radiators with thermostats.
As well as making conditions more comfortable for users, they also consume less energy.

Tracking consumption at TF1

TF1 uses electricity in its day-to-day business for the air-conditioning systems of its various buildings and for its

Consumption trends at TF1				
	2001	2002	2003	2004
Electricity	34.5 GWh	34.4 GWh	37.0 GWh	39.5 GWh
Water	70,750 m^3	66,954 m^3	71,480 m^3	65,039 m^3
Gas	44,241 m^3	46,521 m^3	45,759 m^3	49,723 m^3
Steam	658 t	674 t	607 t	705 t

broadcasting activity (studio lighting, control rooms, etc.). Electricity consumption in 2004 rose by 2.5 GWh to approximately 39.5 GWh. The rise was mostly due to the addition of new premises, the installation of an additional control room at Eurosport and a change of master control room at TF1.

Water is mostly used in the air-conditioning system, toilets, washrooms and kitchens. Consumption in 2004 fell to a four-year low of approximately 65,000 m^3.

Some buildings are heated by gas. Consumption depends on the weather: it increased by some 4,000 m^3 in 2004 to approximately 49,700 m^3.

Other buildings are heated by steam: consumption amounted to 705 tonnes in 2004, an increase of 98 tonnes on the previous year.

Automatic systems, new technologies and diversification of energy sources at Bouygues Telecom

Bouygues Telecom is seeking to reduce electricity consumption by using automatic screen savers, cutting the number of neon lighting tubes and automatically turning office lights off after 8.00 p.m.

Many base stations are equipped with automatic systems to turn lighting on for maintenance operations and off at other times. As well as improving safety conditions for maintenance staff, these systems also generate substantial savings.

Concerned to diversify its energy sources, Bouygues Telecom is attentive to the development of alternative technologies. In particular, it studies the solution best suited to powering some of its base stations. New energy sources are being tried at two of them in south-western France: one is powered by a combination of wind and solar power, the other by a fuel cell.

At its two sites which consume most electricity, the company has concluded a contract with EDF under which the electricity utility undertakes to provide 15% of the power consumed from renewable energy sources.

Bouygues Telecom is also aiming to save paper by halving the size of customer service contracts, optimising customer magazines and encouraging the use of new technologies in areas such as:

- billing via internet,
- computer tools (purchasing, bill processing, workstation upgrades, time management, etc.)
- digital documents,
- setting printers to print on both sides of the paper by default.

Paper consumption per employee in Bouygues Telecom offices fell from 11.95 to 10.28 reams between 2003 and 2004.

Electricity consumption at Bouygues Telecom			
In MWh	2002	2003	2004
• Electricity consumption per office employee	n.a.	4.9	4.3
• Average electricity consumption per Base Transceiver Station	26.1	28.0	28.8

Specific actions

In addition to waste management and control over consumption, each of the Group's lines of business takes environmental initiatives appropriate to its particular activity.

Bouygues Construction

Conserving the natural environment

Bouygues Construction undertakes projects in sometimes highly sensitive natural environments. Drawing on its experience, it comes up with novel solutions that both satisfy its customers and comply with national laws and regulations on environmental protection and wildlife conservation.

Bouygues Construction is introducing a set of preventive measures to combat accidental and passive pollution on construction sites. It also takes steps to limit the nuisance caused by site work.

Cleaning up construction sites and providing local residents with information

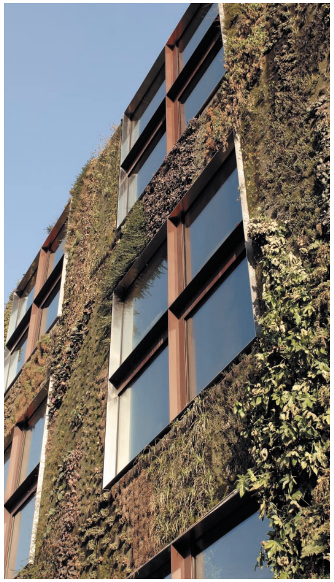
Bouygues Construction pays particular attention to cleaning up construction sites and surrounding areas, especially in urban environments. During earthworks, dirt tracks are watered to prevent dust clouds. Graffiti- and poster-proof fences are erected around construction sites to keep them as clean as possible.

Providing local residents with information is now one of the keys to a successful construction project. Drawing on modern technology and novel ideas put forward by Bouygues Construction staff, a whole host of information techniques have been developed for the benefit of all, including websites, local correspondents and the inclusion of local residents in

Dragages Singapore - Working in a conservation area

In the spring of 2004, Dragages Singapore delivered Ladyhill, a luxury 55-apartment condominium.

Covering almost one hectare, it is situated in a part of Singapore that is classified as a nature conservation area. Singapore's National Environment Agency (NEA) insists that trees and bamboo should be preserved and integrated into the landscape and the construction. Existing trees on the site were kept and new trees, chosen in consultation with the NEA, were planted. The buildings are of relatively limited height and integrated into a serene landscape in which areas of vegetation alternate with waterfalls.



communication initiatives and decision-taking.

Avoiding water and soil pollution

On construction sites, the main risk of soil pollution is from the storage, handling and use of hydrocarbons and oils. Bouygues Construction has introduced specific procedures to minimise the risk:

- hydrocarbons and other hazardous products are placed in special storage areas equipped with bunded tanks to prevent any leakage of pollutants and storage of such products is kept to a minimum;
- hydrocarbons are handled on special absorbent mats;
- site workers are alerted to the risks involved in refuelling operations and equipment is checked at regular intervals to prevent leaks of engine oil and hydraulic fluid.

In accordance with the 1992 Water Act, Bouygues Construction equips sites in sensitive areas such as flood zones or near watercourses with water treatment modules. Run-off water from car parks liable to contain hydrocarbons and water used to wash plant and equipment is collected and treated: the contaminated water passes into a first settling tank where the solid matter (sludge) is separated from the water, then into a second clarifier which separates the hydrocarbons. The treated water is then discharged into the normal sewage system.

Bouygues Entreprises France Europe - "Green site"

In 2004, Bouygues Entreprises France Europe built the Fort Minique sports complex at Valenciennes in northern France. It involved the construction of two multi-purpose sports halls, a table-tennis hall, a gymnastics hall, a boules pitch, dressing-rooms and a club house. A "green site" charter was incorporated into the contract in response to a pressing demand from the Valenciennes city authorities. The main features of the charter are the sorting of waste (especially wood), the use of vegetable oil for the formwork, provision of a special area with a settling tank for cleaning truck mixers and concrete skips, consultation with the city authorities to reduce the impact of site work on local residents (car park, separate access for deliveries and pedestrians, solid fence, stabilised tracks to keep mud off the roads) and signs to inform those involved in the project of the initiative.

Gradually increasing the proportion of ISO 14001 certified activities

Three new companies were certified in 2004 to add to the existing five. Altogether, 8,539 employees representing over 22% of Bouygues Construction's total workforce operate in an ISO 14001 certified environment.

Bouygues Immobilier

In 2004, Bouygues Immobilier created and introduced the "Agir Vert" environmental initiative for its residential property developments. A best practice guide that Bouygues Immobilier undertakes to implement in specific projects, the "Agir Vert" scheme forms part of the HQE eco-building approach aiming to reduce the environmental impacts of construction work.

The guide has eight chapters containing point-by-point definitions of the quality of an operation and the appropriate solutions. Written from a sustainable development standpoint, it focuses particularly on water and energy consumption.

In 2004, Bouygues Immobilier started to market its first "Agir Vert" programme of 193 housing units on the banks of the river Seine at Carrières-sous-Poissy. The objective is for each regional division to complete one "Agir Vert" project in 2005 before the initiative is introduced more widely.

Colas

2004 was a year of consolidation for Colas in the environmental sphere as actions taken in previous years attained a certain maturity and the company continued to deepen its environmental awareness.

In a continuation of existing initiatives, the company developed new, environment-friendly products, invested in recycling facilities and extended environmental certification. These grassroots efforts were supported by a network of over fifty environment officers in the field.

Having accomplished this first stage, it seemed necessary to root the environmental approach more deeply and coordinate actions more systematically. An Environment division was created in 2004 to define a consistent approach, including indicators and action plans, in line with the corporate culture within Colas and expectations

Bouygues Construction subsidiaries with ISO 14001 certification	Number of employees concerned	Date of certification
Losinger	850	June 2004
Dragages Singapore	565	March 1999 and March 2002
DTP HK	880	May 2004
Bouygues TP SA	3,300	December 2002 and January 2005
DTP Terrassement	2,500	Septembre 2004
VSL Hong-Kong	216	December 2003
Intrafor HK	157	December 2003
VSL Fondations Techniques Hong-Kong	71	January 2003

outside the company.

Thus, in accordance with the 2001 Environment Charter, relevant indicators will be introduced over the next few years, meeting the following criteria:

- prudence and rigour: it is difficult to draw up reliable figures in a very open business in which measurement and evaluation systems differ widely from one country to another. Priority will be given to a small number of indicators, ensuring that they are both reliable and representative. They will be communicated as they are developed;

- continuous improvement: there is relatively little room for manoeuvre in Colas' businesses because the regulatory context of competitive public tendering limits the scope for underbidding. It is therefore reasonable and legitimate to seek continuous progress, which is central to ISO 14001 certification, an approach that Colas is introducing in all its business areas;

- proximity and adaptation to local conditions: in a company that has 1,200 establishments (including industrial production facilities) in forty countries and carries out some 90,000 projects each year, individual operations tend to be both small-scale and very short. As a result, each situation gives rise to its own set of problems. Colas is very keen on devolving initiatives to individual establishments so as to optimise their action in the local context.

Colas' approach to the environment is therefore founded on a dynamic vision in which the environment is not just a legal obligation but also an opportunity for progress and innovation, values that are central to the company mindset.

A number of specific actions were accomplished in 2004.

Recycling of construction waste

Progress was made in techniques for recycling or recovering asphalt mixes, such as:

- the Valorcol process (factory recycling of asphalt mixes),
- the Novacol process (in situ renovation and recycling of pavements),
- the Thermocol RED process (in situ renovation and recycling of porous asphalt), which was awarded the SETRA certificate under the Road Innovation Charter,
- a number of major projects in France which demonstrated the feasibility of incorporating 25%, 50% or even 65% of milled materials in composite road structures with hydraulic binders, in the context of technically and economically effective and competitive alternatives (25% of milled materials were included in 32 km of the new wearing course of the A26 motorway),
- an increase in the amount of recycled materials in the United States (where much higher rates of asphalt recycling are allowed than in France) in both tonnage and percentage terms (2.3 million tonnes, representing 12.6% of the total output of asphalt mixes compared with 11% in 2003).

The recycling of recovered gravel and aggregates continued to rise in 2004, with an increase in the number of recycling facilities across France and in the tonnage of recycled materials. Progress was made with the Ecosol process for recycling earthwork spoil developed by Screg Ile-de-France - Normandie in the Essonne département: 125,000 tonnes were recycled in 2004 compared with 80,000 tonnes in 2003. It now accounts for over half the surplus spoil accepted at the Limeil and Marcoussis sites, thus avoiding the need for landfill solutions.

In contrast, the Ecoballast railway ballast recycling activity has had to be halted because of lack of demand from railway customers for reused ballast in new railway works.

Certification of industrial plants

Colas carries out its industrial activities in France at classified establishments that are subject to authorisation and have to comply with various environmental rules and standards. Licences to operate quarries include undertakings to restore sites, defined with devolved government agencies (DRIRE) and prefectoral authorities, and given material expression in accounting provisions for rehabilitation work.

Colas continues to modernise its industrial base, taking account of environmental concerns. To give one example, the Perrier facilities at Mions near Lyon have been completely renovated and now include crushing, asphalt mixing, concrete mixing and recycling in a single, integrated unit. The plant has a total capacity of 900 tonnes per hour and gives the Lyon region a real urban development facility located less than 10 km away from the city centre. It also demonstrates that nuisances can be fully controlled even in a dense urban environment.

The number of ISO 14001 certificates doubled in 2004 and has now passed the 100 mark. The real enthusiasm of Colas staff for this area of progress reflects a deeply rooted commitment to its two fundamental principles:

ISO 14001 certification at Colas in France		
(number of sites)	End-2003	End-2004
Asphalt plants	22	35
Quarries	25	36
Works centres	13	39
Emulsion plants	10	18

continuous improvement and specific management at local level of the analysis and reduction of environmental impacts.

The above table highlights the substantial increase in certification in France.

The following are also certified:

- entire subsidiaries: Colas Est, Colas Rhône-Alpes and Colas Sud-Ouest;
- the Scientific and Technical Campus, a laboratory;
- Colas Environnement et Recyclage.

Outside France, Colas has increased the number of its certificates in Europe, South-East Asia and North America:

- Colas Danmark, the four subsidiaries of Colas Hungaria and Tipco Asphalt Public Co. in Thailand are certified;
- almost thirty more asphalt plants in the United States have obtained the Green Diamond certificate, bringing the total to over sixty, or almost half the entire number.

These drives show that there is an underlying trend towards increasingly comprehensive certification.

TF1

TF1's business has a limited impact on the environment and does not involve any particular industrial risk. Nevertheless, TF1 plays an active part in protecting the environment and introduced an environment policy in 2004 which amongst other things involves raising awareness among viewers.

At the instigation of TF1's senior management, throughout the year the core channel, the theme channels, TF1 Vidéo and TF1 Entreprises raise awareness and educate viewers in respect and protection of the environment through their programmes and products.

TF1 produces and airs *Ushuaïa*, the flagship environment programme and the only prime-time feature devoted to the subject on all French TV. It has the 8.55 p.m. slot four times a year, on the theme "wonder is the first step towards respect". TF1 has partnered Nicolas Hulot, the show's presenter and an environmental icon in France, for almost twenty years, broadcasting *Ushuaïa* and distributing spin-off products like DVDs and magazines.

Bouygues Telecom

Integrating base stations into the landscape

Bouygues Telecom has a large-scale programme for optimising the integration of its network infrastructure into the environment. Ingenious camouflage helps the usually visible part of its masts to blend into the landscape.

Under the national charter of environmental recommendations concluded on 12 July 1999 by the three mobile phone operators with the Ministry of Regional Development and the Environment and the Ministry of Culture, Bouygues Telecom does much to preserve the living environment and heritage of the French regions when installing its radio masts.

Since 2000, Bouygues Telecom has concluded partnerships with local authorities in places where it installs or is considering installing aerials. Environmental charters negotiated with elected officials take into account the specific features of each region, such as architecture and landscape, so as to identify the best solutions for integrating equipment in consultation with the authorities.

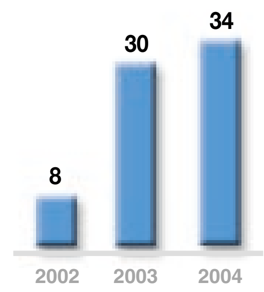
At the end of 2003, parallel to a review of the subject by AFOM, the French Association of Mobile Operators, Bouygues Telecom drew up a set of ten rules for integrating equipment into the environment, to be applied by teams rolling out the network. They were introduced on 10 June 2004; since then 1,381 sites (822 new sites and 559 existing sites) have been assessed according to the rules.

Optimising travel

In order to reduce travel by employees between sites, Bouygues Telecom is considering introducing a company travel plan within the Paris region and in the other regions. Measures already taken include:

- installing videoconference systems, which will not only save time and reduce the risk of road accidents but also help to reduce automobile pollution;
- introducing shuttles between sites in the Paris region;
- relaunching the car-pool initiative by creating an intranet site where employees can advertise. In the south-west, a business travel database has been created to encourage pooling even more.

Number of environmental charters concluded by Bouygues Telecom



Management of Classified Installations for Protection of the Environment

In 2004, Bouygues Telecom ensured that all its sites subject to the regulations governing Classified Installations for Protection of the Environment (ICPE) were compliant.

The regulations mostly concern bottles of FM 200, a fire extinguishing agent found in most computer and network rooms, cooling equipment and accumulator charging units. At some sites, the list also includes combustion plants, generators and fuel oil.

26 sites were declared to prefectures in 2004.

For the future, Bouygues Telecom has introduced a tried-and-tested system for managing its classified installations which includes regular monitoring.

People:
our greater resource

The culture of the Bouygues group puts people first. It is built around the essential values of team spirit, individual responsibility, ethical conduct and respect.

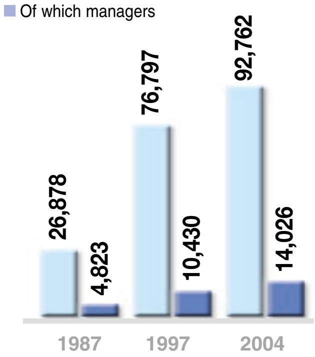
The spirit of enterprise that motivates the Group's employees promotes economic development and long-term job creation.

A group that creates long-term jobs

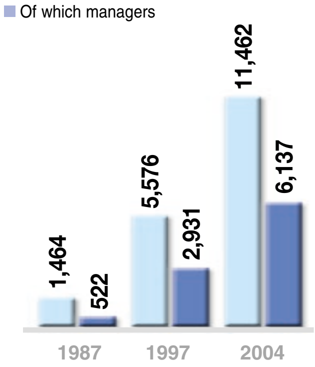
Construction, historically the Group's core business, has been the principal source of employment, creating and securing a very large number of jobs. Between 1987 and 2004, for example, the workforce grew from just under 27,000 to almost 93,000.

Since the late 1980s, an ambitious strategy of diversification into the media and telecommunications sectors has also paid off in employment terms with the creation of almost 10,000 jobs. The number of employees working in these two sectors has increased eightfold in 17 years, while the number of managers has increased twelve fold.

Workforce: construction, property, roads



Workforce: telecoms, media



Values have a key place

Bouygues unequivocally asserts its values.

The mindset has evolved over time and with diversification but the core values remain the same. The Group's culture continues to be based on putting people first, respect for customers, a taste for challenge and a constant quest for innovation.

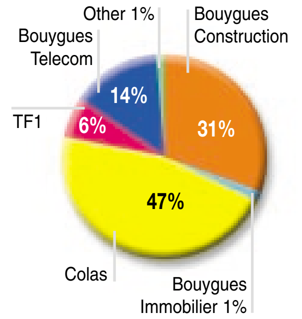
The Minorange Guild, created in 1963 by Francis Bouygues to promote construction trades, is the embodiment of the Bouygues culture. On worksites, it fosters respect for safety, dedication to a job well done, fraternity and commitment to the company. Other Group businesses have set up orders based on the same principles, like the Road Guild at Colas. Bouygues now has 1,678 guild workers in 21 orders, some of which operate outside France.

Following a seminar on the Group's ethics and values designed to raise awareness of ethical issues among over 300 managers, Martin Bouygues decided to promote respect as a powerful collective force for improving performance. The Bouygues Management Institute will organise further seminars in 2005 to get managers to think together about respect in all its forms. As well as helping them to communicate better on the subject with their colleagues, the seminars will train managers to lead sessions themselves. More than ever expected to set an example, managers are encouraged to mobilise on the issue and show their co-workers the way.

Recruiting the best

Almost 7,000 new employees were recruited in France in 2004, an increase of 7%. With the picture for the future looking clear in all business areas, 77% of them were hired on permanent contracts, compared with 68% in 2003.

Recruitment by business area in 2004



78% of new hires were in construction businesses. Bouygues Construction and Colas are constantly looking for young engineers and are more generally seeking to increase numbers of supervisors and site workers in anticipation of a wave of retirements. Bouygues Telecom continues to recruit substantially even though the annual recruitment rate is beginning to fall as the market matures.

The Bouygues Construction Challenge

The annual Bouygues Construction Challenge, a business competition open to students from some of Europe's most highly reputed business and engineering schools, has several aims:

- **to attract talent:** several dozen students who stood out during the competition have already been recruited;
- **to assert the company's position as a key employer;**
- **to involve staff in relations with institutes of higher education:** by playing a central role during the Challenge, managers can hone their skills in detecting, assessing and tracking young graduates. Their presence alongside the students enables them to establish friendly relationships with potential future colleagues.

In 2004, the Bouygues Construction Challenge once again proved its value as a place where candidates and managers can meet each other and exchange ideas in a relaxed atmosphere.

The prize, won by a team from Ecole Centrale Paris and Paris IX Dauphine University, is a week-long trip to Morocco in 2005 to discover the country and some of Bouygues Construction's major projects in the region.

Bouygues' dynamism on the job creation front is not limited to those on employment contracts, whether fixed-term or permanent. In 2004, for example, Bouygues Construction and Colas offered over 3,000 internships to students from all disciplines. 40% of new entrants at Bouygues Construction were hired following internships, which can be a fast track to recruitment in all the Group's business areas. Bouygues Immobilier welcomed 80 interns in 2004 and went on to hire about a third of them.

Encouraging mobility

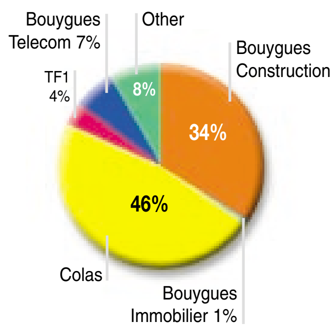
With more than 113,000 employees in five business areas and over 80 countries, the Group offers many opportunities for mobility.

▶ **Functional mobility:** the fundamental principle of merit-based promotion means that executives from all backgrounds (technical, communication, finance, human resources) can aspire to managerial positions in operating units.

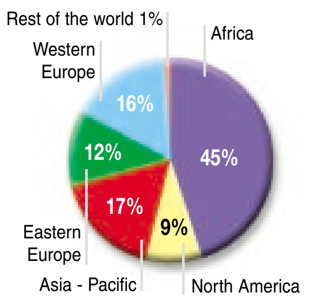
▶ **Career mobility:** the Group offers its employees many opportunities for exercising their talents in different business areas throughout their career. Many of those responsible for building up Bouygues Telecom, for example, started out in construction.

▶ **Geographical mobility:** Bouygues can offer its employees jobs all over the world, either for a few years or for a longer period.

113,334 employees*



51,970 employees outside France*



** Excluding Saur businesses sold under the agreement of 19 November 2004, which employed 11,958 staff at end-2004. Bouygues has retained Saur's African and Italian subsidiaries, which are classified as "Other businesses"*

Developing skills

Training plays a key role in Bouygues' human resources policy. Group entities pursue a proactive policy designed to encourage the personal development of their employees, both in France and elsewhere. Companies operating in France (excluding Saur) spent €63.5m on training in 2004, representing approximately 3.7% of the total payroll net of social charges. That is more than twice the statutory minimum of 1.5%. Apart from the Bouygues Management Institute and actions for support divisions, training is devolved to each business area.

Giving employees a stake in success

Bouygues rewards its employees' performance in two ways: performance-related pay and participation as shareholders in the value created by the Group as a whole.

▶ For many years now the Group has emphasised a performance-related element to pay based on attaining individual targets.

Training at Colas in France

Colas' "training campus" is designed to meet most training needs, with the aim of capitalising on and transmitting knowledge and skills, encouraging exchanges and mutual enrichment and fostering better cooperation.

3,300 employees - site workers, technical/administrative staff and managers - attended one or more of the modular training courses.

Three hundred managers from all backgrounds attended one of the sixteen scheduled sessions at Colas University. The Ecole Nationale des Ponts et Chaussées was asked to provide the first two modules and HEC Executive Education the third; senior Colas managers were involved at each stage, along with in-house speakers acknowledged for their competence.

Within Colas subsidiaries, the importance placed on recruiting and training young people was reflected in a sharp increase in operations:

- in partnership with employment service companies listed at line of business level, to integrate and train young site workers on extended skill-based sandwich courses,
- with groupings of employers (GEIQ) to provide first-time employment or placements, often with support from regional authorities and regional civil works federations.

Training courses concern techniques for external networks, asphalt mixes, pipes and mains, plant maintenance, plant operation and for driving heavy vehicles.

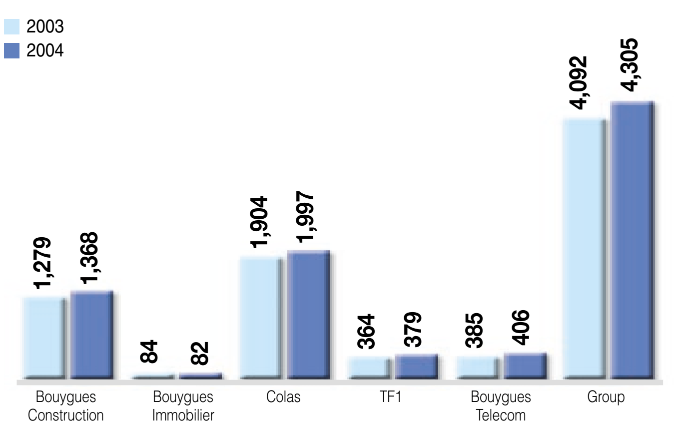
Subsidiaries have introduced or developed initiatives for making existing staff more employable or giving them access to supervisory positions on worksites through measures such as:

- personalised arrangements for reskilling site workers, including refresher courses;
- the development and introduction of job descriptions and skills management software so as to improve knowledge of the training needs of all or part of the workforce;
- courses to keep workers in employment through versatility and multiskilling;
- assignment of experienced site workers as full-time trainers in plant operation and the application of asphalt mixes;
- skills assessments and refresher courses for site workers, taking advantage of possibilities for personal training leave;
- partnerships with apprentice training centres;
- redeployment schemes enabling site workers to become foremen.

At end-2004, Group corporate savings funds were Bouygues' second largest shareholder with 12% of the capital and 16% of the voting rights. 25,000 employees (excluding Saur) belong to the funds. Martin Bouygues created a corporate savings plan for investing in Bouygues shares in 1990 with the aim of giving employees a stake in the Group's growth. The plan, to which the company made matching contributions, was a great success. The original formula has been steadily improved over the years, giving particular encouragement to small pay-ins in order to increase the number of investors. Capital increases reserved for Group employees have further strengthened the position of employee shareholders.

With the aim of giving employees an even greater interest in the corporate savings plan, Martin Bouygues decided to substantially increase the ceilings for matching contributions from 1 January 2005. The company now makes a matching contribution equal to 100% of employees' voluntary payments up to €1,920 a year and 50% after that amount up to €3,840 a year, compared with the previous ceilings of €1,560 and €3,120.

Personnel costs: +5% (excl. Saur, in €m)



The Bouygues group runs several profit-sharing schemes.

Direct profit-sharing

Many profit-sharing agreements exist in the construction companies (Bouygues Construction, Colas and Bouygues Immobilier) and at TF1. The results vary according to the company and the profits. It is not unusual for profit-sharing to represent 1.5 months' salary for the lowest paid.

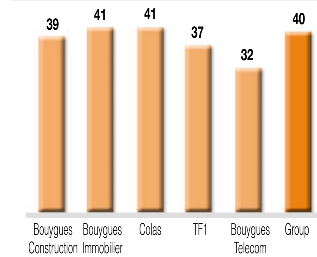
Profit-based incentives

Profit-based incentive schemes have been introduced at Bouygues SA and Bouygues Telecom, since direct profit-sharing is not possible for legal reasons. Methods of remuneration are designed to favour the lowest paid. Bouygues Immobilier has an incentive scheme as well as a profit-sharing scheme, which gives 65% of its employees one month's salary (up to a ceiling of €3,000) in addition to one month's salary under the profit-sharing scheme.

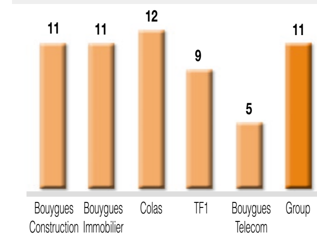
Performance-related pay

This element of an employee's salary varies according to the company's results and is thus a way of redistributing profits. Several thousand employees, mostly managerial and technical/administrative staff, benefit from such arrangements. However, site workers in the construction businesses are not excluded, since they often receive a project completion bonus, and sometimes an annual bonus.

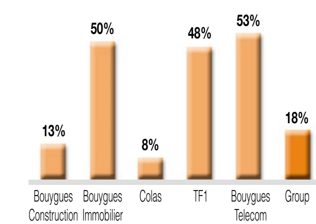
Average age (France): 40



Average length of service (France): 11 years



Proportion of women (France): 18%



A duty of solidarity

Bouygues takes many measures to integrate minorities and the less fortunate.

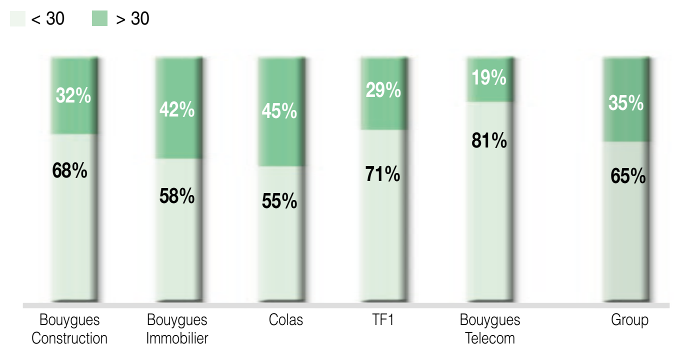
At Colas, each establishment is committed to encouraging the employment of young people, jobseekers and people in difficulty, for example through cooperation with training and placement organisations and participation in local back-to-work schemes. Actions of this type were taken on the tramway projects at Mulhouse, Grenoble, Montpellier, Nantes and Valenciennes. Regular contact is maintained with the armed forces' redeployment units and Colas plays an active part in certain programmes designed to make less-favoured employment areas more attractive.

Bouygues Construction contributes to a company emergency fund which supports members in temporary financial difficulty through gifts or loans. The fund is managed by a 12-member board made up of company employees whose duties are in addition to their normal work. They meet twice a month to consider applications individually and in strict confidence. Employees who wish to join the fund pay a contribution of €1.37 a month, deducted from their wages, and the company makes a matching contribution of €1.75 a month for each member.

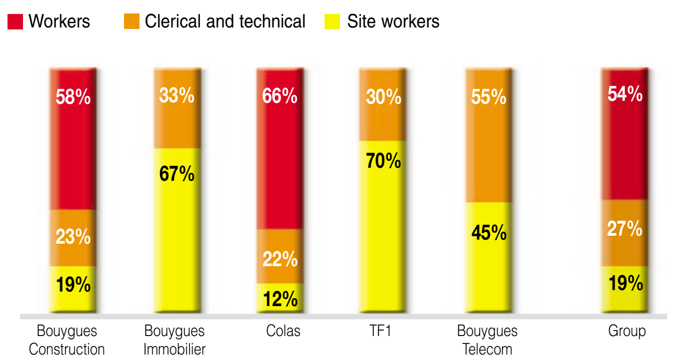
In 2004, Group companies continued to encourage the hiring of disabled people in two ways:

- certain services are sub-contracted to sheltered work centres. Bouygues Telecom, for example, uses them to print greetings cards, design materials for communication and marketing purposes, recycle mobile phone network equipment and maintain green areas;
- initiatives are taken to encourage the recruitment of disabled persons. At Colas, for example, the proportion of disabled employees in mainland France was 27% higher than the statutory minimum. TF1 belongs to an association, Tremplin, whose aim is to promote the qualification and employment of handicapped students. Bouygues Telecom helped AGEFIPH, a fund to promote the employment of disabled people, to include a special area in their website to favour the employment of handicapped workers at call centres. The site has been online since the end of November 2004.

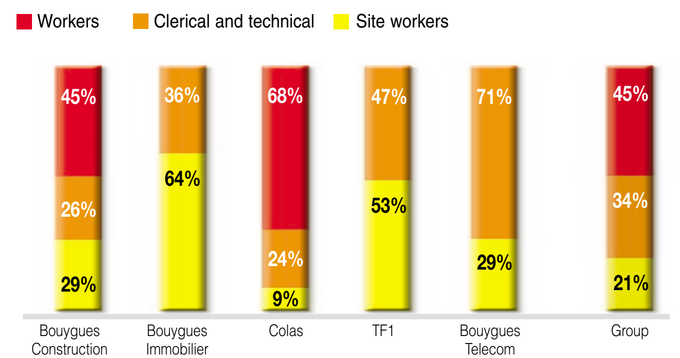
Recruitment by age in France



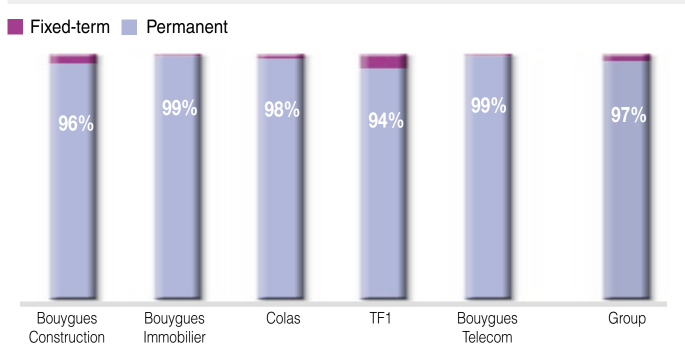
Breakdown by professional status



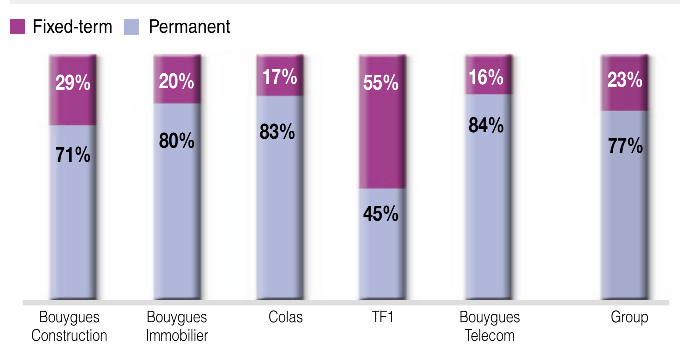
Recruitment by professional status in France



Breakdown by type of contract in France



Recruitment by type of contract in France



Health and safety: a proactive approach

The Group has always taken active measures to reduce and prevent workplace accidents. The decline in accident frequency and severity rates is the result of that proactive approach, defined by senior management in the Group's main subsidiaries and implemented effectively within each operational entity.

The Group takes a comprehensive approach to health and safety that involves not only risk analysis and prevention, responsibility, training, communication and compliance with instructions but also the design of machines, infrastructure and equipment.

A common approach across the Group

Looking to the long term, permanent actions to maintain an accident prevention mindset throughout the entire workforce are in place in all the Group's major structures. Specific initiatives include the monthly publication of safety indicators for each operational entity and the promotion of technical innovations designed to improve health and safety. Employees are also encouraged to show exemplary conduct in both their professional and private lives. Regular meetings are held between entities in each business area to exchange ideas and experiences, put forward best practices and discuss topical matters.

Bouygues Construction entities use posters, intranets, in-house magazines and worksite videos to provide information about accident prevention, health and safety. All site workers are given safety training when beginning a project, and equipment and operating methods are monitored throughout the project.

At Colas, workplace safety targets are set by general management and implemented by a safety officer in each company. Networks of "safety facilitators" then ensure that instructions are followed at each operations centre. Partnerships are also established with employment service companies to ensure that health and safety policies are observed by all categories of staff.

At Bouygues Telecom, the emphasis is on training and raising awareness: over 2,300 employees received risk prevention and first aid training in 2004. The company also organises safety and environmental competitions for operational staff (both network staff and customer advisers) and forums to raise awareness of road safety, fire prevention and emergency procedures. Bouygues Telecom has introduced innovative ways of improving safety and working conditions for network staff, such as foldaway radio masts and useful services on i-mode™.

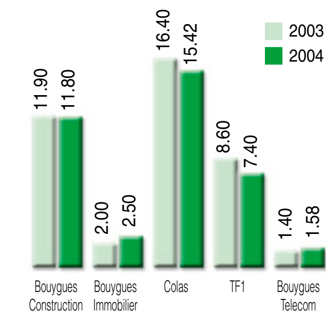
Efforts rewarded

A comprehensive approach to safety management at Bouygues Construction gave the company an accident frequency rate(1) of 11.8 and a severity rate(2) of 0.52 (compared with 0.70 in 2003). These results compare very favourably with the scores for the profession as a whole: in France, the frequency rate is 58 and the severity rate is 3.17.

Bouygues Telecom's industrial accident rates are also highly satisfactory and considerably better than those for the profession as a whole: the frequency rate was 1.58 (compared with 4.49 for the profession) and the severity rate 0.035 (compared with 0.21 for the profession). These results, although they deteriorated slightly in 2004, are still excellent and reflect a genuine, company-wide commitment to health and safety.

Accident frequency rate

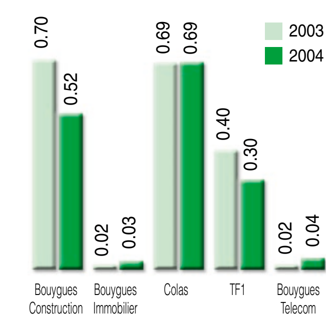
in mainland France



(1) Number of industrial accidents resulting in lost work days per million man hours worked.

Severity rate

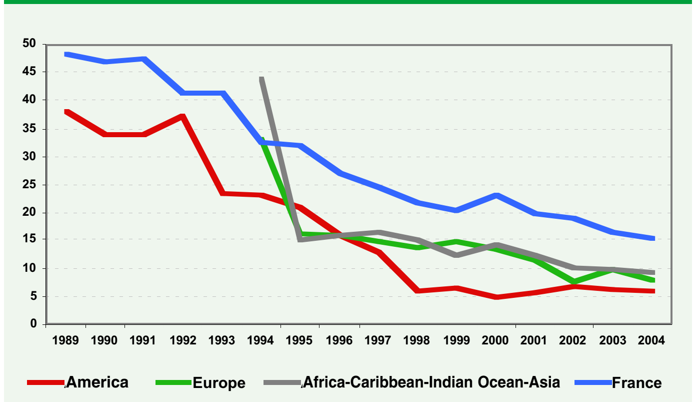
in mainland France



(2) Number of work days lost through injury per thousand man hours worked.

TF1 SA data

Accident frequency rates at Colas worldwide since 1989



Some practical achievements in 2004

At Bouygues Construction, so-called "toolbox" meetings have been instituted on worksites outside France. When supervisors detect a situation that presents a safety or environmental risk, they call a team meeting to identify the source of the risk and take the necessary corrective action.

In France, site managers and foremen organise regular health and safety meetings with site workers on subjects of particular interest, such as presentation of new equipment and on-site operating procedures or information about the use of certain products. The meetings also provide an opportunity to review the situation if anomalies have been found during a site visit or following an industrial accident.

At Colas, industrial accident frequency rates have fallen by over 60% in 15 years as a result of efforts to improve safety.

As a roadbuilder, Colas is particularly sensitive to road safety issues. Eight years ago, it therefore decided to integrate road safety into its corporate culture and to adopt a real risk prevention policy. The results reflect the success of its action.

In 2004, TF1 laid particular emphasis on preventing professional risks so as to raise awareness among all those concerned. 375 employees from all categories received training during the year. TF1 has also introduced specific training modules relating to the risks of the job, including first aid (a stress management module has been added to improve the psychological support given to employees working in high-risk areas), advanced driving techniques (for crews on news assignments) and the prevention of technical risks (electrical risks, movements and posture, etc.).

Since its inception, Bouygues Telecom has developed and implemented an ambitious and effective professional risk prevention policy. This commitment was reflected in 2004 in the creation of a special Health Prevention

unit comprising some fifteen employees, responsible for monitoring and assessing risk. A study of the ergonomics of customer adviser workstations was also carried out in cooperation with operational staff and the occupational health service. Under Bouygues Telecom's social and health policy, employees can participate anonymously in a medically supervised scheme to track stress and well-being levels. As well as monitoring anxiety, depression and stress, it means that individual counselling can be offered if necessary. Regular medical information and advice sessions are also organised, especially on public health issues.

Vehicle fleet and number of accidents at Colas

	1997	1998	1999	2000	2001	2002	2003	2004	1997/2004
Number of vehicules	13,746	14,206	14,578	17,223	19,694	20,372	20,588	21,431	56%
Number of accidents invoving third parties	3,024	2,583	2,562	2,858	2,886	2,552	2,334	2,296	-24%
Frequency	0.220	0.182	0.176	0.166	0.147	0.128	0.113	0.107	-51%

Corporate social responsibility: a sense of commitment

The Group plays an active part in the economic and social development of each region in which it operates, through economic action, support for social activities and medical, humanitarian and social sponsorship initiatives.

An Ethics and Sponsorship Committee, established by Bouygues' Board of Directors, advises on applications for financial or material support examined in the light of the parent company's sponsorship policy. Beneficiaries of the policy, which focuses on humanitarian, medical, social and cultural causes, include the Mother and Child Hospital in Kabul; the Neurodon campaign run by the French brain research federation; the French association for multiple sclerosis research (development of the European Database for Multiple Sclerosis); Acanthe, an association created by the parents of autistic children; SOS Accueil and RIVE, charities which run day centres for homeless people; the French Ondine's syndrome association; Astrée, a charity providing moral support for people in difficulty; the School of Journalism created by the National Foundation for Political Science; and the Scout and Guide movement (development and long-term support of scout and guide groups in deprived areas).

The Bouygues group acts to help victims of the Asian tsunami disaster

The Group's five business areas will donate more than €1 million to humanitarian organisations.

• With the support of the parent company and Bouygues Construction, Bouygues Thai is helping to rebuild a school, allocating €220,000 to the project. Bouygues Thai is also involved in official French government actions coordinated by the French Embassy, providing financial support to French residents in Thailand and taking part in reconstruction projects in areas hit by the disaster.

• Bouygues Immobilier has offered €10,000 to the town of Boulogne-Billancourt for the rebuilding of a school in Indonesia with the Fondation de France. A campaign has also been organised among employees to collect francs that can be changed at the Banque de France, the proceeds being donated to UNICEF.

• Six local Colas subsidiaries have taken various initiatives. Wasco in Indonesia and Tasco in Thailand are matching donations from employees, TCP and TSS in Thailand are making plant and workers available to rebuild roads, Tasco and Raycol in Thailand are providing storable emulsions and asphalt mixes, Tasco is providing trucks to transport aid, and Wasco is helping to administer the French aid effort.

• TF1 has given €600,000 to six charities and TPS €100,000 to the Red Cross. TF1 Publicité has donated advertising space to UNICEF. TF1's solidarity committee and individual employees have made donations to the charity Planète Urgence. TF1 aired three special programmes, one in the prime-time evening slot on 3 January with calls for donations and two special editions of *Who Wants to be a Millionaire?* on 11 January, the proceeds from which were Ogiven to charity.

• Bouygues Telecom introduced emergency measures for its 1,500 customers in the region when the disaster occurred, including free roaming calls between 26 December and 2 January, the suspension of procedures for collecting unpaid bills and the creation of a special customer relations unit. It offered €300,000 to UNICEF during the special edition of *Who Wants to be a Millionaire?*, of which €25,000 was donated by employees and €275,000 by the company. Objectif Soleil, an association made up of Bouygues Telecom employees, donated €20,000 to UNICEF. Bouygues Telecom took part in a text message campaign which ended on 31 January: customers of all three operators could make a donation by typing the word "Asie" and sending it to one of three selected charities. The cost of the text message and €1 were then paid to the chosen organisation.

Preference is always given to proposals put forward by Group employees.

On 1 March 2005, the Ethics and Sponsorship Committee approved the creation of a Francis Bouygues Foundation. Each year, the foundation will select thirty or so young French school-leavers and give them grants to finance their studies for four to six years. The grants will be awarded mainly on the basis of school results and social and financial difficulties.

Because of the Group's decentralised organisation, each of its main subsidiaries defines its own social policy. The main actions in 2004 are described below.

Bouygues Construction

In France, Bouygues Construction uses local sub-contractors for activities which are not part of its core business and in which it does not have the necessary skills. Consequently, Bouygues Construction subsidiaries invite tenders for sub-contracted tasks and select firms on quality and price criteria. Major projects can thus stimulate the economy of an entire region. In partnership with the national job-seekers agency and local offshoots, Bouygues Construction regularly includes social initiatives in its arrangements for large-scale projects.

An integration programme for people in difficulty

In 2002, Bouygues Entreprises France Europe signed a contract with the Justice Ministry for three construction projects that included a vocational integration programme.

In March 2004, a review of the project to build La Farlède prison in the south of France found that 221 first-time workers had completed 56,938 hours on the programme, on contracts lasting on average for six weeks.

The attitudes of young people without experience or qualifications (51 were aged under 26 and eight of them had criminal records) had shifted towards respect for others and for superiors, a sense of team spirit, an appreciation of work well done and good timekeeping. Over 30 of them have now applied for training in construction trades. On the project, 12 young people with basic vocational qualifications but no experience progressed from unskilled labouring jobs to tasks in keeping with their diplomas.

65 long-term unemployed people, including 30 on the minimum income scheme with occupational and social problems, were taken on as labourers with the aim of learning a skill. 15 of them now have a vocational plan in another sector and 20 are applying for training in construction trades.

Bouygues Immobilier

Bouygues Immobilier supported the 2004 Telethon, a TV charity fund-raising event. 75% of the workforce took part in the challenge, cycling round France in sponsored relays that linked up the company's 21 regional agencies and making a contribution to the appeal. In addition to the donations from employees and Bouygues Immobilier's partners, the company paid €50 per cyclist and €500 for each housing unit reserved during the week before the Telethon. Altogether €326,000 were collected for the French muscular dystrophy association. Bouygues Immobilier has also been a partner of the Saint-Denis music festival since 2000.

Colas

Outside France, Colas supports local development by recruiting locally, giving priority to the labour catchment areas in which its establishments are located. Colas is a major employer in the emerging countries in which it operates, actively helping to train and promote employees and gradually introducing social protection systems where none existed previously, as in Madagascar, for example.
Wherever possible, Colas also supports local microprojects, provides aid and assistance to people in disaster areas, like after the floods in Djibouti in April and the tsunami in Thailand in December, and takes part in local environmental initiatives by supporting associations that remove debris and waste from natural areas, providing assistance in kind for the development of public interest leisure amenities and participating in information campaigns on the need to respect the natural environment in Canada and the United States.
The Colas Foundation, which was created in the early 1990s and won an exemplary corporate patronage award in 1992, aims to promote painting and music and to encourage new talent. Each year, fifteen or so artists of all nationalities are selected and commissioned to create an artwork on a road-related theme. The Colas Foundation now has over 160 paintings in its collection. The Foundation is also a patron of music. In 2004, it sponsored the production of Richard Strauss's Capriccio at Opéra Garnier in Paris. For several years now, the Foundation has been an official partner of the Marciac jazz festival which, in the space of 25 years, has become a key event in the calendar for jazz musicians and jazz lovers from all over the world.

A. Mirgalet - 2003

TF1

In 2004, TF1 donated over €16 million (equivalent to approximately 1% of its advertising sales) to humanitarian, civil or cultural operations and supported charities like Secours Populaire (help for the needy), Ligue contre le Cancer (cancer research), Sidaction (AIDS research) and environmental protection organisations like the Nicolas Hulot Foundation. TF1's broadcasting department provided them free of charge with the resources to produce advertisements and with airtime during peak viewing hours. More than 220 free ads were screened in 2004.

In addition, many programmes help to finance charity projects, whatever their size and type. In 2004, €5 million raised during game shows like *Who Wants to be a Millionaire?, Attention à la marche, La Ferme* and *The Weakest Link* were donated to various charities, including Les Toiles Enchantées (projection of films for children in hospital), Handicap International, Perce-Neige (mentally handicapped children), Petits Princes (sick children) and Les Restos du Cœur (food and clothing for the needy and homeless).

At the same time, TF1 subsidises jeveuxaider.com, a French portal that aims to help charities become better known.

Bouygues Telecom

Bouygues Telecom has informed more than 200 suppliers of its membership of the United Nations Global Compact in order to gain their support in this initiative. It shows the company's intention to gradually introduce specific requirements into its tenders and contracts, calling for compliance with the principles of the Global Compact. For suppliers who relocate their production in low-cost countries, Bouygues Telecom is therefore considering social audits to ensure that those values are respected.

Mobile telephony is a genuine social phenomenon and a permanent link with everyday life, especially sport, a succession of events, results, performances and emotions. Since its launch in 1996, Bouygues Telecom has always sought to associate itself with sport, an ideal vehicle for communication, by choosing disciplines and events with a high media profile, like the football League Cup, while at the same time getting close to people by sponsoring local events at sailing clubs, golf clubs and ski resorts. Cycling, another popular sport, gives Bouygues Telecom a remarkable opportunity for brand promotion, both on account of its media visibility and the enthusiasm of spectators for teams and major events like the Tour de France. Bouygues Telecom has opted to sponsor the team managed by Jean-René Bernaudeau because of its values and team spirit, which are close to those of Bouygues Telecom:

solidarity, humility, the spirit of enterprise and the will to win.

Bouygues Telecom shares the same acute awareness of the importance of preparation and training, like the sports scholarship and amateur team system and permanent training at Bouygues Telecom. Bouygues Telecom's role is now to support them for four years by giving them the means to succeed.

Committed to an active sponsorship policy in favour of people with social and/or medical disabilities, Bouygues Telecom was involved in a number of schemes in 2004. It has a three-year partnership with the Fondation Hôpitaux de Paris - Hôpitaux de France in a scheme to collect small change. In the context of its partnership with UNISEP, a multiple sclerosis charity, 400,000 donations were collected through Nomad Card recharges during Multiple Sclerosis Week. A text message scheme over the Christmas period (1 December 2004 to 19 January 2005) invited contract customers to send a text message and make a donation to UNISEP, with Bouygues Telecom topping up each donation. The company donates handsets and call time and computer equipment to various associations and provides financial and material support to Objectif Soleil, a charity

created by employees; it gives mobile phones and call time to children in hospital; it organised the 2004 Bouygues Telecom Multiple Sclerosis Challenge, which enabled MS sufferers to follow the round-France sailing race from a catamaran; and in December 2004 it ran a text message campaign to collect donations for the French association of accident and emergency doctors.

Supporting the Paris bid for the 2012 Olympic Games

Since February 2004, Bouygues has been an official member of the corporate sponsors club supporting the Paris bid for the 2012 Olympic Games, alongside 16 other major firms: Accenture, Accor, Airbus, Air France, Carrefour, Crédit Agricole, EDF, France Télécom, Lafarge, Lagardère, Publicis, RATP, Renault, Sodexho, Suez and VediorBis. All Group companies can therefore take part in actions to promote the bid.

As well as being good for France, the Olympic Games will provide marvellous opportunities for Group companies in the form of major architectural projects, new infrastructure, technological innovations and showcases for tourism. It is the third time Bouygues has backed a Paris bid, after those for the 1992 and 2008 Games.

Many communication campaigns have taken place in support of the bid. In-house, posters have been put up at strategic places in the Challenger building (reception areas, canteens, etc.). Outside, Bouygues takes part in the joint actions organised by the official supporters, such as competitions in Télé 7 Jours, a TV listings magazine, and the purchase of advertising space in Accor Magazine.

Following the Group's lead, its main subsidiaries have also swung into action. They have printed articles in their in-house magazines. The letterhead and visiting cards of Colas, Bouygues Bâtiment IDF and ETDE carry the "Paris 2012 official supporter" logo.

Boards in support of the bid are present on forty Bouygues Bâtiment IDF sites and twenty Bouygues TP sites. In early February, 1,500 ETDE service vehicles were decorated with the Paris 2012 colours.

In another initiative, as part of the 2005 Guild Challenge organised by six regional entities from Bouygues Entreprises France Europe, 210 pupils from 35 vocational high schools specialising in building trades will be making reinforced concrete works representing the heart that features in

the Paris 2012 logo. Each entity will select the best three schools in its region, inviting them to present their work to a jury in the national finals to be held at the beginning of June.

Research and innovation: a prerequisite for progress

Senior managers systematically validate research and development (R&D) strategy and budgets in order to ensure that research priorities are fully consistent with strategic business options. The emphasis is on applied research that is likely to generate new products, processes or services for customers in the near future. The managers in charge of research are made aware of the economic aspects of choosing subjects for research and monitoring progress.

The fact that the Group's businesses have a highly technical culture explains why there is such a close link between R&D and technical departments. That link is an asset because it gives R&D staff an understanding of commercial or production concerns while enabling them to take a longer-term view of R&D strategy, since it often takes two or three years to achieve results.

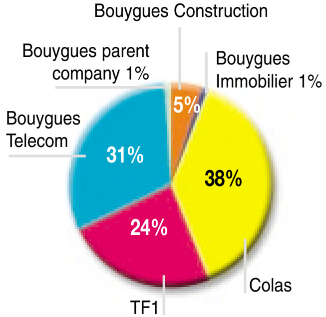
Whereas R&D focuses on scientific and technological aspects, innovation extends to processes, services and knowledge of customers and markets.

In 2004, a wider definition of R&D was introduced in the Group's business areas, emphasising effective innovation and including not only technical R&D but also other forms:

- services R&D, generally more diffuse and less immediately identifiable in organisations, is nevertheless becoming increasingly important in business strategy;
- in some business areas, like media, innovation mainly concerns the creation of new formats for programmes, films or fiction;
- research into organisational systems may be regarded as R&D if it contributes to far-reaching changes in working methods or relations between the firm and its environment.

R&D expenditure in 2004

€83m (+5%)*



** increase on 2003 excluding Saur*

Bouygues e-Lab, a centre for IT R&D and innovation

Bouygues set up the e-Lab, an IT research and development centre, in 1994. It has a dual role: to prepare the Group for the transformations brought about by digital technology by raising awareness of innovations in new information and communication technologies from researchers and start-ups, and to actively monitor experimental work taking place outside the Group.

The e-Lab has been given four main missions to help the spread of innovation within the Group:

1. a conventional R&D mission in which the e-Lab produces scientific and software innovations in the field of decision science;
2. a mission to provide scientific advice or to monitor a number of key issues for the Group's businesses, generally involving complex projects with substantial technological or scientific value-added;
3. a mission to support IT projects, through the development of proof of concept or specific software building blocks;
4. a mission to lead and coordinate the Group's innovation efforts, by establishing and running the Bouygues Innovation Network.

Key e-Lab projects in 2004

- **For Colas UK**, the e-Lab in cooperation with Colas' R&D department took part in the tender for the £400 million Portsmouth PFI highway management contract, won by Colas in July. The purpose of their study was to draw up a 25-year schedule of works at least cost, meeting the very strict quality and service requirements imposed by the City of Portsmouth.

▶ **For the marketing department of TF1 Publicité**, the e-Lab and Médiamétrie carried out a study on the scope of a new indicator for commercials screened on the channel: audience retention (ie, the average proportion of the commercial seen by a viewer).

▶ **For Bouygues Telecom's technical division**, the e-Lab developed a tool to help optimise investment in the transmission network (optical fibres and radio links).

▶ **For Bouygues Construction TP**, the e-Lab developed a search engine which efficiently and ergonomically locates expert staff with the desired skills.

Bouygues Construction

One of the main challenges facing R&D teams in the construction industry is to improve the technical properties of materials and structures, such as strength and durability, and to minimise disorders and disruption in the immediate vicinity of sites.

New technologies help to improve safety levels for people working on major projects and when natural disasters occur.

Putting innovation back at the heart of the firm

Bouygues Construction held its first R&D innovation forum at Bouygues headquarters on 24 January. The event was held under the aegis of the firm's Innovation and R&D Committee, created in October 2003. The Committee is responsible for defining an annual innovation and R&D policy for Bouygues Construction, mainly on subjects common to all the group's operating subsidiaries. It had a budget of €2 million in 2004.

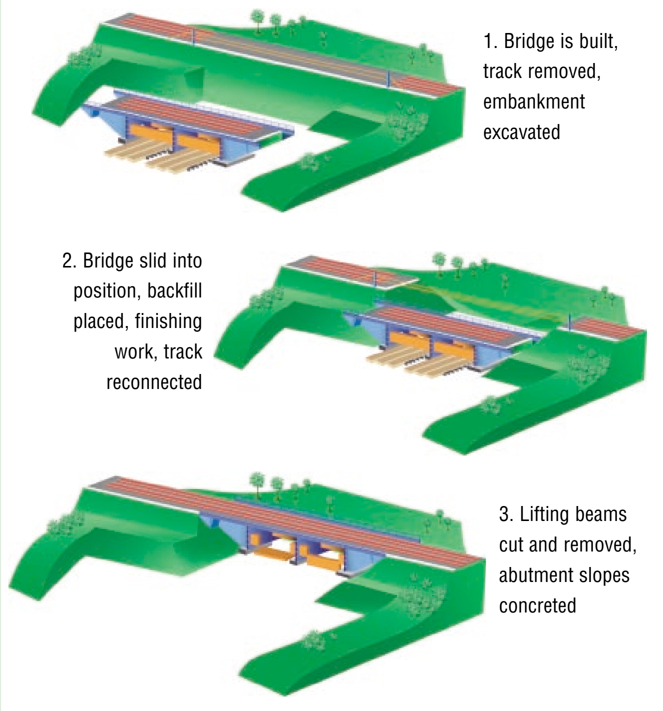
Each entity continues to be responsible for its own research programmes and manages its own budget autonomously.

In addition to innovations developed in 2004, six areas of work for 2005 were presented:

- the notion of whole-life costing in public-private partnerships including construction, maintenance and operating costs;
- sustainable construction, for example through taking part in the drafting of regulations;
- concrete: strength, durability and technology watch;
- the use of robots on worksites to increase productivity;
- acoustics and vibrations, especially the modelling of vibrations in structures;
- virtual construction techniques, such as numerical modelling.

Highly innovative method for rail bridge slide

Last April, the crews working on the A28 motorway project faced a major challenge: putting a new rail bridge over the alignment of the future motorway with the minimum disturbance to rail traffic. Usually this means bridges are slid into position using what has become a conventional technique. But in this case, an innovative bridge-sliding technique developed by Quille was used: the bridge is built parallel to the line and tracks are laid on top of it, then, when the rail embankment has been removed, the 2,000 tonne bridge is lifted and moved 50 metres sideways by means of six special self-propelled wheeled carriages fitted with lifting jacks. This new method resulted in significant savings, and the bridge, which was fitted with position sensors, was placed within one millimetre of its design location. This innovative method, which can be easily applied to any road bridge, helps to reduce costs and deadlines for the benefit of the customer.



Colas

Long years of development culminated in some particularly innovative techniques in 2004:

- **low-temperature asphalt:** Smac Acieroïd was able to reduce the temperature for laying asphalt by 100° C with its Neophalte Low Temperature range, which can be laid at 150° C. By the end of 2004 over 30% of production, or almost 2,000 tonnes, had been laid at a lower cost in energy and with less nuisance;

- **warm-mix asphalt:** 2004 saw the introduction of environmentally-friendly warm-mix asphalt, which can be laid at temperatures 35 - 40° C lower than other mixes;

- **Vegecol**, a bitumen-free binder of exclusively vegetal origin, was tried experimentally in 2003. The binder's performance and durability were validated on five sites in France in 2004, representing 16,000 m^2.

Rugosoft, an overlay which combines environmental advantages (lower noise levels) with safety features (better skid resistance and shorter braking distances), has made progress on the market and was used to resurface twelve streets in Rouen in 2004.

TF1

There are three main strands to research and development at TF1.

- **New technologies:** the internal technology and resources department researches new technologies like digital broadcasting, the portability of filming equipment and image processing. R&D at TPS concerns high definition technology, TV on mobiles, ADSL and video compression standards.

- **Marketing:** the marketing departments of the advertising and broadcasting divisions carry out behavioural studies, research into new ratings (joint viewing), processing and analysis of audience statistics and sociological studies.

- **Innovative programmes:** creation plays an important part in TF1's activity, especially as regards entertainment programmes, TV dramas and the

production of films whose results can be difficult to predict.

Bouygues Telecom

In January 2004, Bouygues Telecom obtained the French Telecommunications Regulatory Authority's consent to its new multi-year R&D investment plan for 2003-2008.

Bouygues Telecom promotes R&D and innovation in many areas, including video technology, localisation, secure payment, radiofrequencies and health, broadband, push-to-talk, advanced handset features, etc.

Benefiting from feedback from its offices in the USA and Japan, where technology is more advanced than in Europe, the company is better placed to look forward and prepare its future.

Bouygues Telecom has taken part in several French and European joint projects involving research and innovation in the audiovisual and multimedia sphere, notably in the context of the R&D framework programme and the national telecommunications research network, including a European study on satellite video broadcasting, a French project on

TF1 Publicité: new website and new services

A new version of TF1 Publicité's B2B website has been online since 6 December 2004. Showcasing all the agency's advertising media, ranging from conventional communication to relational marketing, the website is enhanced with numerous innovations designed to meet customers' expectations and needs even more effectively.

The chief innovation of the new site is a feature which enables media agencies to view their customers' campaigns in real time. The site also gives access to an interactive programme schedule providing information about TF1 programmes up to 18 days in advance.

Bouygues Telecom: second Innovation Forum

Over 1,000 employees flocked to the second Innovation Forum on the subject of innovation and value creation, organised at the company's headquarters between 16 and 18 November. Designed to facilitate the sharing of experience, it gave thirteen Bouygues Telecom departments an opportunity to present their most innovative operational projects. Five of the selected projects were awarded a trophy at the next meeting of the company's Management Committee. The visitors were able to discover innovative technologies like EDGE, XML and Wi-Fi, explained with the help of demonstrations by staff from Bouygues Telecom and the Bouygues group (especially the e-Lab) and from outside partners like GET (a grouping of top telecom schools) and the New Generation Internet Foundation. The participants also had an opportunity to discover new ways of stimulating their creativity in workshops with subjects like "How to make everyone Bouygues Telecom's best ambassador".

multi-player games on mobile phones and a European research project into localisation techniques.

On 7 March 2005, Bouygues, Bouygues Telecom, TPS, Orange and France Telecom announced a joint venture to test digital television broadcasting via mobile phones using the new DVB-H standard. New interactive services will be offered, for example allowing users to watch a programme and simultaneously access associated services via their mobiles.

The company has registered new patents in France as a result of both joint and in-house projects and had 60 protected innovations in its industrial property portfolio at end-2004. Revenue from licences, patents and software increased by 60% over the year and one computer application received the European Legal IT Award.

Several postgraduates completed doctorates at Bouygues Telecom under the CIFRE university-industry joint research programme, on subjects that included processes for transporting calls on networks, the sociology of mobile phone use, the economics of international calls and dispute settlement law in the communications industry.

Bouygues Telecom continued to support higher education, promoting in

particular the creation of innovative activities by students and the appetite for enterprise in elite business and engineering schools. As an official partner of the first *La Recherche* prize organised by the magazine of the same name, the company showed its commitment to promoting research to a wider public.

In January 2004, Bouygues Telecom's scientific board, made up of top scientists, academics and business leaders, organised a public lecture on the major issues of physics in the presence of the Minister for Research. The scientific board continued to advise the company on its future technology programmes and studies on radiofrequencies and health.

Risks:
a preventive approach

The Bouygues group is exposed to different types of risk in its different business areas. It is continuing to step up its risk identification and management policy so as to achieve its main operational objectives.

Bouygues SA ensures that its main subsidiaries maintain a high level of risk awareness, in particular through a major risk management committee (whose remit also includes QSE and sustainable development) comprising a representative from each business area.

A senior Bouygues executive has also been given the specific task of assessing the major risks to which the Group is exposed. Through analysis and awareness-raising, he actively helps to promote a culture within subsidiaries in which controlling risk is regarded as a key aspect of management. He also ensures that subsidiaries comply with the risk management guidelines laid down by the parent company.

Each main subsidiary has set up specific risk management bodies or structures. They in turn are introducing major risk prevention and crisis management systems and training programmes in order to control or reduce the most important risks to which they are exposed.

As the final element in their risk management portfolio, subsidiaries take out insurance policies or use hedging instruments in accordance with the usual practice in their profession.

OPERATING, ENVIRONMENTAL AND PUBLIC HEALTH RISKS

Bouygues Telecom

Operating risks

Bouygues Telecom's operating procedures, which cover the construction, upgrading, operation and maintenance of the network, are clearly complex since they involve the consumption, billing and payment of phone calls for over seven million customers. Generally relying on hi-tech equipment and tools, they constitute an interdependent set of business processes that must be totally reliable and safeguarded at all times if continuous operation is to be assured.

Bouygues Telecom has introduced a procedure for describing all its business processes and sub-processes, assigning indicators to each one so that their reliability, relevance and performance can be regularly assessed.

The quality assurance department, in cooperation with operating divisions, has defined a number of critical processes so that a particularly close watch can be kept on all the factors involved (people, machines and methods).

Processes are protected by in-house security experts. On watch at all times, they monitor active processes and implement upgrades or changes.

Regular actions are carried out to alert staff to the importance of observing security rules with the aim of engendering reflexes that help to protect Bouygues Telecom's assets.

Bouygues Telecom has taken additional security measures following the network failure on 17 November 2004, targeting the subscriber recognition equipment in particular.

Environmental risks

Storms and natural disasters capable of causing severe damage to the network infrastructure have been identified as major risks, not only because destruction of part of the network would cause lost sales but also because the need to communicate in such circumstances becomes even more important and in some cases vital. That is when the real meaning of service becomes clear.

Radio masts must be situated at a specific high point if they are to benefit as many customers as possible and form a coherent network with other aerials. There is rarely, and sometimes never, an alternative site at another high place in the same sector. Environmental harm through the visual pollution of network infrastructure (masts, base stations) has been identified as a potential risk in sectors where there is a particularly acute conservation need.

Bouygues Telecom has a large-scale programme for integrating its network infrastructure into environmental protection areas. Ingenious camouflage helps the usually visible part of its masts to blend into the landscape, with both effective and surprising results.

Bouygues Telecom is committed to ensuring continuity of service and has therefore drawn up contingency plans with alternative arrangements for restoring activities, like the "O Réagir" plan for a severe flood of the Seine. The plans cover all aspects of operations from the mobilisation of resources to feedback after the event and are regularly tested to ensure that they continue to be effective.

Health risks

Mobile telephony uses radio waves to carry communications. The press and other media regularly echo public concern about whether mobile phones and radio masts are harmful to health.

Bouygues Telecom staff have been monitoring developments in scientific knowledge about the potential health effects of electromagnetic radiation since 1996. They have gathered a substantial body of information and continue to monitor scientific research into the subject, enabling the company to introduce protective measures adapted to the known facts. It is a complex and controversial subject; many studies have been carried out and more are in progress. However, there is no evidence from their initial conclusions that mobile telephony has any harmful effects on health.

It is inconceivable that the company could be founded on a practice which represents a health risk. That is why Bouygues Telecom is attentive to all science-based approaches to the subject. It encourages them and solemnly promises to take account of their results by introducing any protective measures that the research might reveal to be necessary.

Bouygues Telecom also believes it should help everyone to gain a better understanding of the issues in the debate. That is why it regularly publishes a brochure designed to be both instructive and transparent. It has also set up a special website (www.sante.bouyguestelecom.fr) which reports the results of new scientific research as they are published. The duty of transparency is essential to the duty of precaution.

TF1

TF1 has implemented an active risk identification policy in order to ensure continuity in broadcasting for its core channel and theme channels.

Any exceptional event preventing access to any of TF1's buildings would have a major impact on

business. For that reason, the group has reinforced its procedures designed to ensure continuity of service for its key processes by securing them on a protected external site.

A multi-disciplinary team of technical and IT specialists and staff from support services, human resources, communications and security has been formed to set up a back-up site for the following four processes: broadcasting, production of the lunchtime and evening news bulletins, production and sale of advertising slots for the core channel, production and broadcasting of LCI's rolling news service.

Procedures and facilities are tested at regular intervals. Securing these key processes incurs operating costs of some €2 million a year.

TF1 also takes measures to secure the firm's vital functions (information systems, core channel services, advertising sales, accounts, cash management, payroll, etc.) and has established a crisis unit to monitor and prevent possible risks and ensure the rapid resumption of activity, thus minimising operating losses if an incident should occur.

One of the main risks is of a break in transmission.

TF1's programmes are currently broadcast to French homes:

- by radio waves from TDF's 112 principal transmitters and 3,161 rebroadcast stations,
- by satellite (Atlantic Bird 3 for unscrambled broadcasts and Hot Bird for TPS),
- by cable (cable operators are obliged to carry certain analogue channels).

TDF is responsible for transmitting (ie, feeding the TF1 signal to broadcast sites) and broadcasting TF1's programmes (and those of all the other national channels) jointly via its free-to-air and satellite networks.

TDF is the only national operator to broadcast television signals; there is no comparable alternative to the TDF network at present.

TF1 therefore depends on TDF to broadcast its signal and cannot use other means of transmission if TDF's network fails.

TDF ensures security of transmission by using both free-to-air and satellite networks to carry the signal to its transmitters. Thus, if a radio system feeding a transmitter fails, the feed can be switched to the satellite system (and vice versa).

Redundant transmitters further enhance security of transmission. In contrast, the mast system (masts, waveguides and frequency multiplexers) is not immune from incidents, while the power supply is the responsibility of electricity utility EDF and can escape TDF's vigilance.

Interruptions in signal transmissions have occurred for technical reasons, such as failure of transmitters or power supply, or for reasons internal to TDF, especially industrial action. The penalties contained in the contract are in no way commensurate with TF1's potential operating losses when such incidents occur (loss of audience, harm to TF1's image, advertisers' demands for compensation, loss of merchandising rights, etc.).

The damage that TF1 could sustain if a transmitter fails is obviously proportional to the number of viewers served by the defective equipment. A failure in the Paris region, with its 10 million viewers, could have major economic repercussions. That is why TF1 has negotiated a deal to ensure that TDF's services intervene very quickly if an incident occurs. To date, no transmitter failure has lasted longer than four hours.

TPS's primary activity is to provide programmes broadcast by satellite on Eutelsat Hot Bird 13°.

Its main programmes are broadcast on two of the five satellites in the orbital position and occupy six frequencies whereas the position has around a hundred.

The risk of a unit disruption is limited to one satellite since the satellites are several dozen kilometres apart and hence cannot be disrupted simultaneously. TPS must therefore be prepared for a failure on half its capacity. Solutions are to be found in better use of the satellite's output.

In 2001, TPS experienced an incident on the HB5 satellite lasting several hours. HB5 has now been abandoned in favour of HB6. The measures described above were immediately implemented and proved successful. Eutelsat was able to verify TPS's ability to react, particularly as TPS can remotely guide the configuration for the list of channels and frequencies received by its subscribers.

TPS is now also available via ADSL phone lines, a service marketed by France Telecom. TPS and France Telecom have set up the necessary dual-network infrastructure to secure continuous broadcasting of the first twenty channels. Denial of service penalties are contained in the contract between France Telecom and TPS; the amount of the penalty depends on the time at which the incident occurs.

Eurosport has a structure in the UK which enables the channel to secure the broadcasting of its channels.

Bouygues Construction

Bouygues Construction has to manage the many risks connected with a particularly risk-prone activity, such as geological risks, archaeological discoveries, bad weather affecting deadlines, lack of foresight, problems in the performance of contracts due to the number of players involved, nuisance caused by works, etc.

When Bouygues Construction concludes design-build-operate contracts, these conventional risks are compounded by design and operating risks.

In its private-sector development projects, especially public-private partnerships in France and private finance initiatives in the UK, Bouygues Construction takes a project financing approach which involves no exposure to the project debt.

Bouygues Construction's legal staff are closely involved in project development and contract negotiation, thus helping to control the main risks.

More generally, internal procedures were introduced in 2003 with the aim of improving risk identification, control and management.

On the design front, the company has extensive engineering and design capabilities. It continues to be selective in its choice of projects and takes out appropriate insurance cover with first-rank insurers, giving it further control over its main risks.

Bouygues Construction believes that it

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

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

The company considers that 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, it 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.

Bouygues Construction ensures that it constantly complies with the regulations in force and implements the necessary prevention and management systems.

Colas

At Colas, the overall risk management policy is defined and risk analysis and assessment are conducted centrally. Risk measurement, tracking and prevention are devolved to the most appropriate level. That means that subsidiaries and individual establishments monitor and manage the risks to which they are exposed.

Colas constantly adapts and improves its risk management procedures. It includes risk management in its training policy and has instituted specific training courses for all staff.

In France, manufacturing activities like emulsion plants, bituminous membrane production plants, quarries, coating plants, asphalt mixing plants, etc. are governed by regulations relating to classified installations and quarries. Licences to operate quarries include undertakings to restore sites, defined with devolved government agencies (DRIRE) and prefectoral authorities. Provisions for such work are booked and updated at regular intervals. These risks are also taken into account through an ongoing company-wide policy of ISO 14001 certification.

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 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 2004, Bouygues Immobilier in cooperation with the relevant authorities had to implement a large-scale clean-up plan for the Domaine de Bonvallet, a programme of 143 housing units at Amiens, causing a delay of several months. A substantial provision was booked in the accounts for 2004 in order to cover the foreseeable consequences for Bouygues Immobilier and its customers.

COMPETITION RISKS

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

Bouygues Telecom

The principal risk relates to the size of its two rivals' market share. The mobile phone market is highly competitive and operators, Bouygues Telecom foremost among them, are constantly seeking to increase their market share. The telephone market as a whole is becoming more complex due to the convergence of technologies like the internet, television, wireline and mobile telephony.

The arrival of MVNOs adds further confusion, though the risk to the two dominant operators is not the same.

TF1

The principal risk is that of a price war during the sale of rights to high-profile events, like football broadcasting rights. This was the case during recent bidding for rights to show the French football league championship, when TPS decided not to take part in the unreasonable escalation of bids.

Colas

Risk of price pressures if public investment is suddenly cut.

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 proportion of expenditure on subcontractors and suppliers in local currency is much greater than the proportion of expenditure in euros. The Group is also especially attentive to the risks associated with assets in non-convertible currencies and, more generally, to country risk.

Interest rate risk

The Group's financial earnings are not greatly affected by interest rate movements. Most of 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.

Fluctuating European interest rates or a divergence between European interest rates and those of the main currencies outside the eurozone would have little impact on the Group's income statement.

Group-wide policies 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 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 a downturn.

Specific reporting documents are produced for the managerial and supervisory bodies of the relevant companies concerning the use of these instruments, the choice of counterparties and interest rate and exchange rate risk management in general.

Hedging rules

Exchange rate risk

The principle applied within the Group is to systematically 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 all or some of the foreseeable and recurring financial assets and liabilities at the level of each sub-group.

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

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

Accounting method

Gains and losses on hedging instruments are booked symmetrically with income and expenses on the hedged assets and liabilities.

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 2004, the market value (net present value) of the portfolio of hedging instruments was +€18 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 forming part of a fair value hedge: +€15 million
- transactions forming part of a cash flow hedge: +€3 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 +€9 million (+€27 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 +€14 million.

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

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 2004, the Group had €3,006 million in available cash and equivalents plus €3,619 million of medium-term confirmed and unused bank facilities. As a result, the Group does not face any liquidity risk.

The bank loans contracted by Bouygues do not include any financial covenants or trigger events. The same applies to bank loans contracted by Bouygues subsidiaries.

Maturity of financial liabilities at 31 December 2004

	1 year 2005	2 years 2006	3 years 2007	4 years 2008	5 years 2009	6 years 2010	7 years + 2011 et +	Total 31/12 2004
Bond issues	93	500	-	-	1,000	500	1,750	**3,843**
Bank loans	112	533	13	25	15	22	52	**772**
Other financial liabilities	36	10	11	2	4	4	4	**71**
Total financial liabilities	241	1,043	24	27	1,019	526	1,806	4,686[1]
Total financial liabilities at 31/12/03	1,178	640	977	18	14	1,012	1,321	**5,160**

(1) of which finance lease liabilities: €81 million

Breakdown of financial liabilities by currency at 31 December 2004

	EUR	GBP	US Dollar	CFA	Other	Total
2004	4,532	13	20	95	26	**4,686**
2003	5,038	1	49	57	15	**5,160**

Hedging of financial liabilities

Taking into account interest rate hedging instruments outstanding at the end of the year, the breakdown of gross financial liabilities was as follows:

	12/04	12/03
Fixed rate[1]	71%	74%
Floating rate	29%	26%

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

Interest rate hedging

Maturity	Outstanding at 31/12/04 2005	2006 to 2009	Beyond	Total	Total outstanding 12/2003
Interest rate swaps					
- on financial assets	639	-	-	**639[1]**	**917**
- on financial liabilities	856	276	309	**1,441[2]**	**2,732**
Forward Rate Agreements					
- on financial assets	-	-	-	-	-
- on financial liabilities	-	-	-	-	**50**
Caps / Floors					
- on financial assets	-	-	-	-	-
- on financial liabilities	341	67	2	**410**	**413**

(1) on which pay fixed rate: €439 million
(2) on which pay fixed rate: €941 million

Exchange rate hedging - By currency

Currency	31 December 2004 (value in €m) USD	GBP	CHF	HKD	Other	Total	Total outstanding 12/2003
Forward purchases/sales							
- Forward purchases	59	13	1	3	72	148	116
- Forward sales	123	29	14	15	43	224	212
Currency swaps	**27**	**78**	**53**	**42**	**20**	**220**	**293**
Currency options	**21**	**1**	**-**	**-**	**-**	**22**	**42**

Security interests granted as collateral for financial liabilities

	Total 12/04	Telecom	Media	Utilities	Construction	Bouygues SA and other activities	Echéances > 1 year	1 to 5 years	< 5 years	Total 12/03
Mortgages of land or buildings or pledges of equipment	-	-	-	-	-	-	-	-	-	-
Pledges of securities and subordinated loans[1]	18	-	-	-	18	-	-	-	18	1,034

(1) Bouygues Telecom: pledge of €1,016 million at 31/12/2003 lifted after complete repayment of the syndicated loan in April 2004.
See also Note 14.

EXCEPTIONAL INFORMATION LEGAL DISPUTES

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

The main lawsuits and events that occurred in 2004 are described below.

Bouygues Construction

The arbitration before the International Chamber of Commerce of the dispute over the Wola Park shopping centre at Warsaw in Poland has been temporarily suspended so that amicable discussions can be held. On 23 November 2004, the Group concluded a full and final settlement with the Moroccan government, ending all disputes relating to the Great Mosque at Casablanca. In a claim for damages for the prejudice caused to SNCF by anti-competitive practices in connection with construction of the high-speed rail links to northern and south-eastern France, on 22 April 2004 the Paris Administrative Appeal Court found against several contractors, including some Bouygues Construction subsidiaries. An expert assessment is in progress to determine the amount of the damages. An appeal has been lodged against the Administrative Appeal Court's judgment.

Bouygues Telecom

On 20 July 2004, the European Commission issued a decision concerning the unlawful nature of measures taken by the French government in 2002 to recapitalise France Telecom. Another decision was issued on 2 August 2004 concerning the unlawful nature of the retroactive modification of UMTS licence fees payable by Orange France and SFR. The Commission found that the state aid given by the French government to France Telecom on recapitalisation was unlawful but did not impose any penalty. Concerning the retroactive reduction in the amount of the licence fee, the Commission found that Orange and SFR had not received any unlawful aid. Bouygues and Bouygues Telecom have appealed against these decisions to the Court of First Instance of the European Communities.

Legal action against the mobile phone operators relating to the conditions of competition in France is pending before the Competition Council. On 9 December 2004 Bouygues Telecom Caraïbe, a wholly-owned subsidiary of Bouygues Telecom, obtained interim measures in a complaint against Orange Caraïbe before the Competition Council, which should continue to study the merits of the case in 2005.

Exceptional event

An incident affected the Bouygues Telecom network at about 6.00 a.m. on 17 November 2007, making it impossible for some Bouygues Telecom subscribers to send or receive calls. The incident was caused by the failure of equipment that identifies Bouygues Telecom subscribers and allows them to connect to the network. The supplier of the equipment took action as soon as the failure occurred and restored the service at about 1.00 a.m. on 18 November. Bouygues Telecom has decided to take legal action against the supplier in question and to call in its insurers.

COUNTRY RISK

Most business areas have little or no exposure to country risk.

Contracts outside France account for 42% of Bouygues Construction's sales, including 24% in Europe. The geographical breakdown depends on the economic situation and potential of the countries concerned.

The Group has introduced a highly flexible organisation to limit the risk arising from instability in some parts of the world, allowing it to withdraw more easily from the countries concerned and minimise its financial losses. Insurance against political risk is taken out on a case-by-case basis and strict internal control procedures are in place to limit the financial repercussions.

Bouygues Construction does not at present have any significant business in countries affected by serious civil disturbances or armed conflict. The Group seeks to ensure the continuity of contracts with its customers, but its first concern is for the safety of its employees, including repatriation if necessary.

Colas does 95% of its works business in Europe and North America (United States and Canada). Consequently, it has little exposure to country risk or non-payment risk, since 60 to 65% of sales are with public-sector customers (central and local government) and it has a very large number of small contracts.

Finagestion, a Bouygues subsidiary, is affected by country risk in connection with Côte d'Ivoire as it is to take over Saur's African subsidiaries. CIE and SODECI distribute water and power in Côte d'Ivoire under public service delegation contracts, though they are not responsible for investment. CIPREL is a power generation subsidiary in Côte d'Ivoire which also owns assets there. Despite political instability, the companies were able to operate normally in 2004.

Guarantees taken out with COFACE meant that the Bouygues group had no significant net exposure in Côte d'Ivoire at end-2004.

TECHNOLOGY RISKS

The Group uses few patents or technologies that could expose it to the risk of technological obsolescence.

Colas, through its investment in research and development, ensures that it is always at the leading edge of technology, enabling the company to remain competitive. There does not appear to be any risk of obsolescence associated with its patents and technologies. Thanks to its research and development policy, Colas constantly renews and updates its technical know-how.

Bouygues Telecom has decided to roll out the EDGE technology, then second-generation UMTS (HSPDA), in order to offer its customers broadband services. First-generation UMTS technology is not as promising as had been expected.

OTHER RISKS

Safety and industrial accidents

Bouygues Telecom

Staff involved in network roll-out and maintenance have to operate in places where access can be difficult, thus increasing the likelihood of accidents.

More generally, employees whose work involves travel or physical action run a higher risk of accident.

Aware of the problem, Bouygues Telecom has implemented a rigorous prevention programme based on compliance with strict rules, the use of effective and modern protective equipment that is replaced at regular intervals, and a regularly updated cycle of training and awareness-raising initiatives. The programme goes much further than the legislation requires.

All procedures are tested, controlled and statistically monitored. The results are consistent with the commitment: no major accident involving an employee occurred at Bouygues Telecom in 2004.

Bouygues Construction

Bouygues Construction's business is a potential source of safety risks for its own employees and those of other operators on worksites (sub-contractors, co-contractors, suppliers, etc.).

The risk is inherent in the very nature of construction: large numbers of players are involved at the same time, the configuration of the site changes constantly as work progresses, there are constant movements of heavy and bulky plant and equipment, security systems are constantly being relocated as the site configuration changes, and work is frequently carried out at height.

The group ensures that it systematically complies with local regulations. It takes the preventive measures and introduces the organisational procedures it deems appropriate to ensure safety at work for its employees and for all participants on its worksites.

Colas

The risk of personal injury is twofold: the risk of industrial accident and travel-related risks. For many years, Colas has taken an extremely proactive approach to prevention and training, resulting in significant and permanent improvements in safety and a substantial and ongoing fall in accident rates.

Dependence on customers and suppliers

Bouygues Telecom

The design of a mobile phone network and the delivery of a communication service imply the acquisition and implementation of sophisticated, complex and interdependent equipment. Products and services must be reliable if the service is to be viable. A recent server failure demonstrated how much harm a faulty piece of equipment could cause.

From a preventive standpoint, legal staff have developed contracts that require suppliers to comply with strict safety and quality procedures and to cover their own risks.

At the same time, painstaking efforts have been made to identify all suppliers involved in critical processes. As a result, the purchasing department can closely monitor each individual supplier. They in turn must implement back-up procedures to respect the continuity of service strategy and accept a reliability audit at any time on Bouygues Telecom's initiative.

Bouygues Telecom maintains the necessary in-house skills to resume the activity of a defaulting supplier and uses double sourcing.

The recent network failure demonstrated Bouygues Telecom's capacity to mobilise its resources to repair a major breakdown within 24 hours, implementing its service restoration plan despite heavy media pressure.

Colas

Colas is sensitive to variations in supplies and prices of raw materials, especially oil products (bitumen, fuel, heating oil) in its roads activity and materials like steel and aluminium in its safety, signalling and waterproofing activities. However, most roads contracts and their attendant commitments are of short duration. Contracts often include price review clauses which help to protect or limit the impact of price rises on the company's margins. Longer-term purchasing agreements or hedges can be negotiated on a case-by-case basis in certain activities or for certain contracts.

Bouygues Construction

Bouygues Construction considers that it is not dependent on third parties for its construction activity, whether in terms of technical skills (eg, licences) or business development (exclusivity). When disposing of assets, the company has sometimes given non-competition undertakings relating to the divested activities in certain geographical areas but such undertakings are not likely to hinder its development.

Bouygues Construction considers that it does not use non-standard equipment for its construction activity or depend on particular suppliers except for certain specific or large tunnel boring machines which are made by a limited number of specialist manufacturers. However, the company has all the resources to design TBMs itself and ensures that it does not depend on any particular supplier.

Bouygues Construction works with a large number of sub-contractors for works it does not carry out directly. None of them is likely to place the company in a situation of dependence.

TF1

TF1 Publicité systematically monitors the financial health of advertisers wishing to buy space on the channels of the TF1 group it serves. The risk of non-payment by TF1 Publicité's advertisers is historically less than 0.1% of annual sales.

TF1 Vidéo and TF1 Entreprises use credit insurance to safeguard against the risk of customer default.

There are no other significant single customer risks in the group's other subsidiaries that could have a lasting impact on the group's profitability.

Specific regulations

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 television audience.

Article 41.3.2 states that any individual or legal entity that controls such a company within the meaning of Article 233-3 of the Commercial Code (direct or indirect majority shareholding - de facto control) or has placed it under his authority or dependence is deemed to hold a licence.

TF1 and Bouygues Telecom are subject to specific regulations in the pursuit of their business. Under the terms of 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 (CSA) for TF1 and the Autorité de Régulation des Télécommunications (ART) 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.

Under the terms of Article 82 of the Audiovisual Communication Act, the licence could be extended automatically until 2012 as part of the conditions for simulcasting the channel on digital terrestrial TV.

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

Neither the ART nor the CSA has ever found Bouygues Telecom or TF1 to be in breach of its licence terms and conditions.

The ART interviewed Bouygues Telecom, like the other two operators, as part of the procedure to control UMTS rollout obligations.

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. Recent changes are described in the section of this report describing Bouygues Telecom's activity in 2004.

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 meets all the criteria needed to obtain them, to secure its development in countries and markets identified as strategic.

For housing and infrastructure works and services, Bouygues Construction is subject to the regulations issued by the governments and public authorities of the countries in which it operates. For example, a set of administrative authorisations must be obtained for each site before work begins. Failure to obtain these authorisations could result in the start of work being delayed, which could lead to penalties at the end of the project if the delay is not made up. Penalties are generally limited by contract. Infrastructure projects in France are subject to public utility declarations and environmental protection authorisations, such as those provided for in the Water Act. 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

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

The African and Italian businesses transferred to Finagestion under the agreements relating to the disposal of Saur are exposed to this risk.

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

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 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, suited to each situation. The risks incurred by the Group in its five business areas are not comparable. Consequently, each business area takes out its own insurance policies. Premiums also vary considerably; the Group's premium payments to general insurance companies represent approximately 0.3% of sales, a percentage which can be understood only in the light of the diversity of business areas.

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 coverage is generally equal to the value of the assets insured. For the largest concentrations of value, however, the coverage is 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 coverage is equal to the market value. By way of an exception, for certain geographically extended projects, the coverage may also be limited to the amount of repairs for damage occurring in a disaster scenario. The scenario is determined according to the type of project (eg, motorway, viaduct or tunnel) and the part of the world in which it is situated, so as to assess the risk of earthquakes or cyclones, for example, and the resulting damage. The coverage 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 coverage 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 coverage is tailored 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 million.

Some insurance policies issued by traditional blue-chip insurance companies are partly reinsured by the Group's captive reinsurance subsidiary. The subsidiary is managed by a specialist company which defines the provisions to be constituted in 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 preventive measures and introduce safeguards to further reduce the likelihood of accidents and losses and to limit their scope. One benefit of this policy is to facilitate negotiations with insurers over conditions of coverage and the amount of premiums.

LEGAL AND FINANCIAL 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).

1.1. Organisation of the Board of Directors

1.1.1. Membership

The Board currently comprises twenty directors and one non-voting supervisor:

- 18 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.

1.1.2. Information about directors (at 31 December 2004)

	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 56,395,498 (via SCDM)	-	Director of TF1, CCF, Sodeci, CIE. Chairman of SCDM.	*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 (director) 2005 (Deputy CEO)	111,434	-	Director of Bouygues Construction, Bouygues Telecom, Bouygues Immobilier, Colas, TF1, FNTP.	*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). Pursuant to Article 17.2 of the by-laws, Michel Derbesse's term of office as Deputy CEO terminated on 1 March 2005.*
Olivier Poupart-Lafarge	26/10/1942	17/10/1985	2009 (director) 2008 (Deputy CEO)	159,690	-	Director of Bouygues Telecom, Colas, Novasaur, TF1, Bic. Standing representative of Bouygues on the Board of Bouygues Construction, Bouygues Bâtiment International, Bouygues Travaux Publics, Bouygues Immobilier. Co-CEO of SCDM.	*Executive Vice-President, Strategy and Finance since 1984, Olivier Poupart-Lafarge was appointed Deputy CEO on 25 June 2002.*
Olivier Bouygues *Standing representative of SCDM, director (company controlled by Martin Bouygues and Olivier Bouygues)*	14/09/1950	21/01/1984	2007 (director) 2006 (Deputy CEO)	453,160 56,395,498 (via SCDM)	-	Director of Bouygues Telecom, Bouygues Construction, Colas, Novasaur, Sodeci, Cefina, CIE, Sénégalaise des Eaux, Eurosport. Non-shareholder manager of SIR. Chairman of Finagestion. Co-CEO of SCDM.	*Olivier Bouygues was Chairman of Saur before it was sold in November 2004. He was appointed Deputy CEO on 25 April 2002.*

	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	Director of Alliance Internationale, Wilson Gestion. 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	26,306,518 (via Tennessee, Simetra Obligations, Artémis and Financière Pinault)	Chief Executive of 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. Member of the Management Board of SC du Vignoble de Château Latour. Standing representative of Artémis on the board of Agefi, 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 Francis Bouygues	21/06/1924	19/10/1993	2006	110 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, Sagem. 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	2010	5,000	Vice-chairman of Goldman Sachs Europe	Member of the Supervisory Board of Euler & Hermès. Member of the college of supervisors of SA des Galeries Lafayette. Director of Renault, Thales.	*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 Banque de Gestion Privée Indosuez	Director of Suez, Euris.	*L. 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	2,300	Chairman and CEO of Colas SA and Colasie	Director of Speig, Spac, Colas Ile de France Normandie, Colas Rhône Alpes, Smac Aciéroïd, Colas Canada, Colas Danmark, Colas Inc, Colas Limited, Hindustan Colas Limited, Tipco Asphalt, FNTP. Member of the Supervisory Board of La Route Marocaine, Société Maghrébienne 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 *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	2010	33,000	Chairman and CEO of Bouygues Construction	Director of Bouygues Travaux Publics, ETDE, 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 *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	Director of Colas, Prima TV. Standing representative of TF1 on the board of Telema. Standing representative of TF1 International on the board of TF1 Films Production. Standing representative of TPS Sport on the board of TPS Motivation. Standing representative of TV Breizh on the board of TVB Nantes. Standing representative of TF1 Développement on the board of TPS Gestion. Chairman of Incunables et Cie, TV Breizh.	*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. 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 *Standing representative of Financière Pinault, director (groupe Pinault)*	28/05/1962	22/12/1998	2010	26,306,518 (via Tennessee, Simetra Obligations, Artémis and Financière Pinault)	Chairman of Artémis	Chairman and CEO of Simetra Obligations. Director of Fnac, 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 Artémis. He has been Chairman of the Management Board of Pinault-Printemps-Redoute since March 2005.*
Alain Pouyat .	28/02/1944	22/04/2004	2010	209,320	-	Director of Speig, TF1, ETDE, Bouygues Telecom, C2S.	*Alain Pouyat has been the Bouygues Group's Executive Vice-President, IT and New Technologies since 1994.*
Michel Rouger	08/12/1928	30/01/1996	2005	500	-	Member of the Supervisory Board of Centuria. Director of Compagnie Financière M.I. 29. Chairman of Emer Parcs Manager of Michel Rouger Conseil.	*Honorary President of Paris Commercial Court, Michel Rouger chaired the Consortium de Réalisation (CDR) until 1998.*
Serge Weinberg *Standing representative of Tennessee, director (groupe Pinault)*	10/02/1951	22/12/1998	2006	26,306,518 (via Tennessee, Simetra Obligations, Artémis and Financière Pinault)	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 and 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 was Chairman of the PPR group's management board from 1995 to March 2005.*
SUPERVISOR							
Philippe Montagner	04/12/1942	24/04/2003	2009	90,235	-	Director of TF1, Bouygues Telecom, ETDE.	*After successfully completing a number of major construction projects, such as Riyadh University and the Channel Tunnel, P. Montagner went on to head several Bouygues subsidiaries, including Bouygues Telecom from its inception until early 2004.*

1.1.3. Changes to the membership of the Board

Changes to the membership of the Board in 2004

The Board renewed Michel Derbesse's appointment as Deputy CEO in February 2004.

The Annual Meeting on 22 April 2004 appointed Alain Pouyat and ratified the co-option as directors of Thierry Jourdaine and Charles de Croisset. It renewed the terms of office of Charles de Croisset, Yves Gabriel and Financière Pinault.

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

■ Renewal of a director's term of office

The Annual Meeting on 28 April 2005 will be asked to renew Michel Rouger's appointment for a three-year term.

Michel Rouger is Chairman of Emer Parcs, manager of Michel Rouger Conseil, director of Compagnie Financière MI 29 and a member of the Supervisory Board of Centuria. He has been a director of Bouygues since 1996.

■ Appointment of two directors representing employee shareholders

On a proposal from the Supervisory Boards of the mutual funds representing employees, the Annual Meeting on 28 April 2005 will be asked to appoint Thierry Jourdaine and Jean-Michel Gras as directors representing the Bouygues group's employee savings mutual funds for a two-year term of office expiring on conclusion of the annual meeting called to approve the accounts for 2006.

Thierry Jourdaine and Jean-Michel Gras are Bouygues Group employees. They are members of FCPE Participation Groupe Bouygues, Bouygues Confiance, PEE Groupe Bouygues and Bouygues Confiance 2.

1.1.4. Meetings

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

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

Since February 2003, the auditors have been systematically called to all meetings at which the Board considers annual or interim accounts.

Persons who are not Board members, whether Bouygues group employees or not, may be invited to attend Board meetings.

1.1.5. Rules of procedure

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

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 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. Each year the agenda for one meeting includes an item on the Board's assessment of its own workings.

Each director must own at least 500 Bouygues shares in registered form. 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 the recommendations of the Autorité des Marchés Financiers and the Financial Security Act of 1 August 2003. There are plans to amend the rules of procedure to add the disclosure requirement set forth at Articles 222-14 and 222-15 of the new general regulations of the Autorité des Marchés Financiers. Directors will be asked to disclose such transactions, and transactions carried out by persons with whom they have close links, within five days of their conclusion.

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 2004 because the terms of office of a statutory auditor and an alternate auditor were due to expire) and ensure that they are independent, for example by monitoring their fees. The rules of procedure also 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.

1.2. Review of the Board of Directors' work in 2004

The Board met seven times in 2004. The attendance rate was 82%.

In 2004, in addition to the decisions and votes included on the agenda under the prevailing laws and regulations, the Board considered planned acquisitions (acquisition by Bouygues and TF1 of a minority interest in Socpresse) and disposals (sale of Infomobile and Saur).

It decided to call a shareholders' meeting on 7 October 2004 with a view to making an exceptional payout on 7 January 2005 of 5 euros per share or per investment certificate. It suspended the right to exercise stock options during the period between the shareholders' meeting and the payout.

The Board discussed and decided the principle and terms of a one billion euro bond issue that took place on 29 October 2004. On 24 February 2004, it authorised a stock option plan in favour of Group executives and employees. It cancelled 13,942,972 repurchased shares on 15 June 2004 and a further 633,087 repurchased shares on 14 December 2004. On 15 June 2004, it cancelled 260,718 OCEANE bonds held by the company following buy-backs on the stock market, in accordance with Article L.228-74 of the Commercial Code and the terms of the issue contract, whereby bonds bought back by the issuer must be cancelled.

More generally, the Board regularly reviewed developments in each of the Group's lines of business. The strategic options and business plans of each line of business and the parent company were presented to the Board for its approval.

After hearing the reports of the committees concerned, the Board also drew up its management report, approved the annual and quarterly accounts, drew up the special report on stock options, reviewed the financial statements, approved the prospectus for the share buyback programme and set the amount of the dividend.

The Board reviewed the steps taken with a view to switching to IFRS. It noted that Bouygues had been introducing changes to its accounting systems for a number of years, regularly choosing preferential methods that converged on international standards. The switch to IFRS will therefore have a limited impact.

In accordance with the recommendations of the Autorité des Marchés Financiers and the Bouton report, the Board conducts an annual review of its own procedures and operation. A questionnaire and a memo on the Board's workings are sent to directors beforehand so that they can prepare for the review.

1.3. Work of the committees established by the Board

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

1.3.1. Accounts Committee

The Accounts Committee, created in 1995, reviews the quarterly and annual accounts before they are 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 and Georges Chodron de Courcel.

The committee met four times in 2004 and the attendance rate was 75%. The committee verified the comparability of the accounts after changes in the scope of consolidation and ensured that the extent of the audit was sufficient. It also reviewed the quarterly accounts and the measures taken by the Group with a view to introducing IAS/IFRS.

In performing its assignment, the Accounts Committee heard the Group's chief financial officer, the head of accounting and audit and the auditors with no senior executives present. The Accounts Committee also recommended renewing the appointments of a statutory auditor and an alternate auditor, which expired in 2004.

1.3.2. 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 2004 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.

1.3.3. 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 once in 2004 to issue an opinion on the renewal of the appointment of Michel Derbesse as Deputy CEO, the appointment of Alain Pouyat to a directorship and the renewal of the terms of office as directors of Charles de Croisset, Yves Gabriel and Financière Pinault. It issued favourable opinions. The attendance rate was 100%.

1.3.4. Ethics and Sponsorship Committee

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

The committee met twice in 2004 and the attendance rate was 83%. After reviewing a large number of projects, the committee gave a favourable opinion on the commencement or continuation of 29 sponsorship initiatives of a humanitarian, medical or sporting nature.

1.4. Internal control procedures

Bouygues SA, as the parent company of a major diversified group, is acutely aware of the importance of internal control, a process which helps to give reasonable assurance as to achievement of the Group's principal objectives.

Internal control bodies and procedures thus play a part in identifying, preventing and managing the main risk factors that could hinder the Group's achievement of its objectives.

While the general purpose of internal control is to help the Group achieve its operational objectives, another purpose is to ensure that the conduct of business and the behaviour of staff comply with regulations and with the rules and guidelines that Bouygues wishes Group companies to adhere to.

It is of course in accounting and financial matters that internal controls are most widely applied, given the importance that the quality and reliability of accounting and financial information may assume in such a large group.

Like any control system, however, the system put in place by Bouygues cannot give a comprehensive guarantee as to its capacity to achieve its objectives.

1.4.1. Overall environment for internal control

Bouygues SA and its senior executives strive to create an environment that favours awareness among Group employees of the need for internal control.

- On the subject of ethics and integrity, the Chairman and CEO regularly sends strong messages to the Group's senior executives about the need for irreproachable conduct at all levels, implying both compliance with the prevailing laws and regulations and respect for the Group's values.

  He does so firstly at Group management meetings, which bring together the Group's top managers once a quarter, and within the framework of the Bouygues Management Institute. The Institute organises a monthly seminar on developing Bouygues' values, designed to raise awareness among top management of the need to comply in all circumstances with the laws and regulations and the ethical rules on which the Group's mindset is founded. The Chairman and CEO and other members of Bouygues' general management systematically speak at these seminars.

  The Corporate Secretary regularly leads executive seminars designed more specifically to remind participants of the regulations that apply in various areas, making a link 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 tasks include:

  - helping to define the rules of conduct and guidelines for action on which executives and other employees must base their behaviour,

  - proposing or advising on initiatives to promote exemplary professional conduct,

  - ensuring 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 assignment, the committee may hear the Chairman of the Board or any person designated by him.

- In another respect, maintaining a high level of competence among the employees of Bouygues and the Group as a whole is another of the parent company's aims, since it helps to create an environment favourable to internal control. Bouygues therefore takes an extremely proactive approach to staff training while seeking to secure the loyalty of its senior employees in order to preserve a level of experience and knowledge of the firm favourable to transmission of the Group's values.

  By directing the Bouygues Management Institute, and through the seminars it organises, the parent company makes a significant contribution to training the Group's senior managers while making them aware of what the company demands and expects from them in terms of both competence and mindset.

- More generally, the philosophy that the parent company wishes its main subsidiaries to share is that of a group whose managers are close to their senior employees and whose management practices are transparent, prudent and rigorous.

  These principles are formulated at Executive Committee level then passed on to subsidiaries at all levels (board of directors, general management, management committee). The major decisions taken at the highest level, concerning UMTS or TV football rights for example, are consistently inspired by the principle of rigorous and prudent management and serve as a benchmark for day-to-day management decisions in each line of business.

- Lastly, the parent company plays a leading role in human resource management policy at Group level.

  The Senior Vice-President, Human Resources and Administration chairs and coordinates the Group Human Resources Committee, an essential link in transmitting the Group's values.

  The Group human resources charter also helps to pass on the Group culture by giving a reminder that people are the company's lifeblood.

1.4.2. Objectives / activities and control procedures - risks

Objectives / Management cycle

The introduction of internal control procedures is linked to the definition of objectives that are compatible with the risks to which the Group is exposed.

- The Group's general objectives are defined through the management cycle, a 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.

- Alongside the Group's general objectives, the parent company also sets more specific objectives relating to the reliability of financial information, essential for a listed company, and compliance with laws and regulations, a key condition for the Group's success.

Activities and control procedures

Internal control implies identifying and analysing factors that may hinder the achievement of objectives (which may be termed risks) and in some cases taking steps to control such risks. It is reflected in the existence of bodies or structures that carry out internal control tasks and involves implementing control standards and procedures.

■ Major risks of a general nature

- *Major risk management - QSE - sustainable development committee*

In 2002 Bouygues SA, as part of its policy to control major risks, set up a major risk management committee whose task is to improve major risk management procedures in its different business areas.

The committee, whose remit now extends to QSE and sustainable development issues, is chaired by Pierre Daurès, a senior Group executive. It comprises all risk management officers from the Group's different lines of business (Colas, Bouygues Travaux Publics, Bouygues Bâtiment, Bouygues Immobilier, 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;
- assessment, selection and prioritisation;
- treatment, control, monitoring and supervision.

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.

• *Legal affairs*

The Corporate Secretary monitors matters with significant legal implications at Group level.

The Corporate Secretary and parent company legal team may become involved on an occasional basis alongside business area teams in handling major claims or projects with an impact at Group level.

The Corporate Secretary chairs the Group legal committee, made up of business area legal managers. He also coordinates and supervises legal affairs throughout the Group.

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, Deputy CEO, delegates relatively extensive powers to his most senior colleagues in support divisions (for example, Jean-Claude Tostivin, Senior Vice-President, Human Resources and Administration; Lionel Verdouck, Senior Vice-President, Cash Management 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.

Having 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 the business areas.

It ensures that subsidiaries are insured with first-rank companies and that the terms of their policies (coverage, deductibles, premiums) are consistent with the risk to which they are exposed.

By directly managing insurance matters for the Construction business area, in 2004 the Group risk and insurance division controlled the insurance of most of the Group's biggest risks.

■ Major risks of a specific nature

Each main subsidiary is principally responsible for examining the specific risks to which it is exposed and for implementing appropriate procedures according to the nature of the identified risks.

These specific risks may be very different. For example, the risks may be related to regulation (TF1, Bouygues Telecom), public health (Bouygues Telecom), technology (TF1, Bouygues Telecom), competition (Bouygues Telecom), the environment (Colas), or the economic or political situation of a particular country.

Through the major risk management - QSE - sustainable development committee, however, Bouygues SA raises awareness of the different risks specific to each business area.

In 2003, the Bouygues Board commissioned Philippe Montagner, a senior Group executive, to conduct an overall assessment of the major risks to which the Group is exposed. One of his roles is to encourage subsidiaries to take steps and implement procedures to identify and forestall the major risks specific to them.

Having made a detailed analysis, Philippe Montagner has produced a report for the Bouygues Board and senior management which clearly identifies and ranks the major risks facing the firm and the Group.

Senior management may also commission a specific audit of a given risk, either from an outside consultant or from the audit department of the subsidiary concerned.

• *Financial and accounting risk*

Group consolidation department

A Group consolidation/accounting department 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 department, which then carries out the overall consolidation of the Group's accounts.

- A specific software product developed by a specialist company is used to consolidate 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 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 department 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 for drawing up consolidated accounts. As part of the switch to IAS/IFRS, the Group consolidation department has created a dedicated intranet site setting out the various principles and options that apply within the Group.

As part of its coordination mission, the Group consolidation department 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 has been the case in particular with the switch to IAS/IFRS standards.

Switch to IAS/IFRS

The switch to IAS/IFRS was managed like a real project at Group level with the objectives of keeping strictly to the timetable, ensuring maximum transparency, and making every effort to understand, anticipate and faithfully comply with the requirements of the new standards.

The work was carried out over a period of almost 18 months according to a rigorous methodology:

- creation of a steering committee chaired by Olivier Poupart-Lafarge, Deputy CEO of Bouygues;
- creation of several working groups according to the problems encountered, with members drawn from the different business areas;
- involvement of the auditors well upstream, participating in work at various levels (steering committee, working groups, etc.);
- work carried out in cooperation with business area accounting departments and specialists from other functions (insurance, human resources, finance, etc.);
- a very large number of training sessions to raise awareness among staff and hence facilitate the switch to the new standards.

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.

In addition to its regular, general checks, the committee selects specific subjects for detailed examination, such as the consequences of disposals or acquisitions. It verifies the accounting treatment of the risks incurred by Group companies, especially country risk and, at Bouygues Construction, the risks involved in carrying out certain projects. The committee pays particular attention to changes of accounting method and therefore regularly reviews decisions and measures taken to implement IAS/IFRS.

Chaired by an independent director, the committee meets at regular intervals (it met four times in 2004). It interviews the auditors with no representatives of the company present. It can make all reports and issue all opinions to the Board. In 2004, the auditors provided the Accounts Committee with and gave a commentary on documents summarising its work relating to internal control in particular.

Management control

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 in 2001 and currently being updated. The guide serves as a reference for all business areas.

Parent company management control

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 may 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 expense account control software (Ulysse) which enable formal, secure procedures to be applied to 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 and finance

The parent company's cash management 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, the terms of loan agreements (absence of covenants, etc.) and the assessment and hedging where necessary of exchange rate risk.

Internal audit

Audit is a means of analysis, control and information which plays a vital role in risk analysis and management. All the business areas, aware of the importance of internal audit, decided that they should have permanent internal audit structures.

The devolution of audit departments continued in 2004 and each business area now has a properly structured internal audit unit that carries out assignments in areas such as management control and finance.

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 also a Group audit division within Bouygues SA which mainly carries out information systems audits in business areas at the request of Group senior management or the senior management of a business area.

1.4.3. Information and communication

The production and dissemination of information, both inside and outside the Group, does much to enhance internal control.

Existing information systems (cf. Section 2) are a means of managing and controlling activity, and communication helps both to make staff more aware of the importance of control and to provide those outside the Group with reliable and relevant information that complies with statutory requirements.

Internal communication

The Group internal communication division plays an active part in circulating information to staff, thus helping to assert the Group's identity and bind the employees of the Bouygues Group together.

Reporting directly to the Chairman and CEO, it is responsible for the bi-monthly newsletter *Challenger Express*, intended for senior executives and department heads, and for the magazine Le *Minorange*, published twice yearly, which are the real links between all the Group's employees.

It also supervises e.by and ebysa, the Bouygues group and parent company intranet portals, which give online access to large amounts of information and provide employees with a real working resource.

The Group internal communication division also publishes *Bouygues in Brief*, a short document containing financial information circulated to all managerial and technical/administrative staff and externally.

Group management meetings, which bring together top managers from all the business areas four times a year, also play an essential role in internal communication and help transmit the Group's culture and values. For senior management at Group level, it is an important channel for transmitting key information and messages to the managers of the main subsidiaries.

External communication

The Group external communication division reports directly to the Group's Chairman and CEO and works in close cooperation with the main subsidiaries for their mutual benefit.

Its main tasks are:

- to manage the Group's image (press relations, public relations, corporate patronage and sponsorship, etc.);
- to pass on information from external sources to the Group's senior management and executives.

Financial information

The Group cash management and finance division is responsible for financial information (relations with investors and financial analysts) and gathers information by listening to the market while also providing the market with the information it needs.

Great care is taken to prepare the Financial Review, which the Group considers a major channel of communication.

1.4.4 Steering

Internal control systems must themselves be controlled by means of regular assessments.

The Accounts Committee is mainly responsible for exercising this supervision.

According to the Board's rules of procedure, one of the tasks of the Accounts Committee is to "verify internal procedures for gathering and controlling the information used to prepare the accounts".

The Board has asked Philippe Montagner, a senior Group executive, to conduct a comprehensive review of the major risks to which the Group is exposed, which includes an assessment of the extent to which Group entities take account of their own risks.

The auditors also play an important role in this regard, through their remarks or questions in the course of their conventional audits and the recommendations they may make to the Accounts Committee.

1.5 Limits set on the Chief Executive Officer's powers

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

1.6 Other matters

This report has been prepared on the basis of available information provided by various divisions of the parent company, interviews with its senior executives and comments by Board members on the operation of the Board of Directors. It has been enriched by several discussions and meetings with the auditors, and presented to the Board of Directors.

The Chairman of the Board

2. Auditors

2.1. 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, renewed for a further six years by the Annual Meeting on 22 April 2004.

Ernst & Young Audit, Faubourg de l'Arche, 11 allée de l'Arche, 92400 Courbevoie, represented by Jean-Claude Lomberget, appointed at the Annual Meeting on 24 April 2003 (first appointment) for a six-year term.

2.2. Alternate auditors

Thierry Colin (Mazars group), appointed at the Annual Meeting on 25 May 2000 (first appointment), renewed for a six-year term by the Annual Meeting on 22 April 2004.

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.

Assignments	Mazars & Guérard network			Ernst & Young network			Other networks[1]			Total	
In thousands of euros	2004	%	2004	2004	%	2004	2004	%	2004	Fee 2004	Fee 2003
I - Audit											
Audit, certification, review of parent company and consolidated accounts	4,327	94	3,391	2,900	92	1,560	7,411	95	6,620	14,509	11,571
Ancillary tasks	37	1	300	0	0	148	67	1	225	125	673
Sub-total	**4,364**	**95**	**3,691**	**2,900**	**92**	**1,708**	**7,478**	**96**	**6,845**	**14,634**	**12,244**
II - Other services											
Legal, tax, corporate	64	1	75	148	5	4	185	2	259	397	338
Information technology	-	-	-	0	-	4	11	-	104	11	108
Internal audit	76	1	13	0	-	-	-	-	10	76	23
Other	113	3	143	93	3	575	96	2	246	410	964
Sub-total	**253**	**5**	**231**	**241**	**8**	**583**	**292**	**4**	**619**	**894**	**1,433**
Total Fees	**4,617**	**100**	**3,922**	**3,141**	**100**	**2,291**	**7,770**	**100**	**7,464**	**15,528**	**13,677**

(1) 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 euros	• Position • Length of service	• Gross fixed salary 2004[1] • *Change on 2003*	• Benefits in kind 2004[1] • *Change on 2003*	• Gross variable salary 2004[1] • *Change on 2003* • As % of fixed salary	Criteria for variable salary	Directors' fees paid by Bouygues in 2004[3]	Directors' fees paid by other Group companies[4]	Stock options awarded in 2004
Martin Bouygues	Chairman & CEO 31 years	920,000 *0%*	135,236 *+ 8,9 %*	1,380,000 *0%* 150%	- Difference between the Bouygues share price and the Paris Bourse CAC 40 index, - Consolidated net earnings of Bouygues attributable to the Group.	48,784	25,416	200,000
Michel Derbesse	Deputy CEO 43 years	920,000 *0%*	96,936 *+3.9%*	1,380,000 *0%* 150%	- Difference between the Bouygues share price and the Paris Bourse CAC 40 index, - Consolidated net earnings of Bouygues attributable to the Group, - Several qualitative objectives.	24,392	40,752	150,000
O. Poupart-Lafarge	Deputy CEO 31 years	920,000 *0%*	4,140 *0%*	1,242,000 *0%* 135%	- Difference between the Bouygues share price and the Paris Bourse CAC 40 index, - Consolidated net earnings of Bouygues attributable to the Group, - Several qualitative objectives.	24,392	53,340	100,000
Olivier Bouygues	Deputy CEO 31 years	920,000 *0%*	82,584 *+1.4%*	1,012,000 *+7.9%* 110%	- Difference between the Bouygues share price and the Paris Bourse CAC 40 index, - Consolidated net earnings of Saur attributable to the Group, - Several qualitative objectives.	24,392	32,562	100,000
					Sub-total directors' fees: chairman & CEO + Deputy CEOs	**121,960**	**152,070**	
Alain Dupont	Director 40 years	920,000 *0%*	4,100 *0%*	1,334,000 *0%* 145%	- Difference between the Bouygues share price and the Paris Bourse CAC 40 index, - Consolidated net earnings of Bouygues attributable to the Group, - Consolidated net earnings of Colas attributable to the Group, - Several qualitative objectives.	24,392	15,000	100,000
Patrick Le Lay	Director 24 years	920,000 *- 17.8%*	4,140 *0%*	1,132,667 *- 17.9%* 123%	- Difference between the Bouygues share price and the Paris Bourse CAC 40 index, - Difference between the TF1 share price and the Paris Bourse CAC 40 index, - Consolidated net earnings of TF1 attributable to the Group, - Several qualitative objectives.	24,392	107,050	-
Yves Gabriel	Director 30 years	750,000 *+2.8%*	8,748 *+42.7%*	825,000 *+11.6%* 110%	- Difference between the Bouygues share price and the Paris Bourse CAC 40 index, - Consolidated net earnings of Bouygues Construction attributable to the Group, - Several qualitative objectives.	24,392	-	75,000
Alain Pouyat	Director 35 years	800,000 *-5.4%*	4,404 *+7.7%*	644,000 *+28.8%* +80.5%	- Difference between the Bouygues share price and the Paris Bourse CAC 40 index, - Consolidated net earnings of Bouygues attributable to the Group, - Several qualitative objectives.	18,294	27,446	75,000

In euros	Position	Directors' fees paid by Bouygues in 2004[3]	Directors' fees paid by other companies[4]	Stock options awarded in 2004
Pierre Barberis	Director	30,490		
Artémis Patricia Barbizet Standing representative	Director	24,392 12,196	26,779	
Madame Francis Bouygues	Director	24,392		
Georges Chodron de Courcel	Director	30,490		
Charles de Croisset	Director	24,392		
Lucien Douroux	Director	30,490		
Carmelina Formond[5]	Director	24,392		
Thierry Jourdaine[5]	Director	24,392		
Jean Peyrelevade	Director	30,490		
Financière Pinault François-Henri Pinault Standing representative	Director	24,392 6,098		
Michel Rouger	Director	30,490		
Tennessee Serge Weinberg Standing representative	Director	24,392 6,098		
	Sub-total directors' fees	**439,056**	**176,275**	
	Total directors' fees	**561,016**	**328,345**	

(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 2004. The variable component for 2004 was paid in the first quarter of 2005. The variable component for 2003, paid in the first quarter of 2004, may be determined by applying the percentage change given in the table above. The amount also appears in the 2003 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) These amounts include directors' fees paid in respect of membership of a Board committee. Patricia Barbizet sits on two committees.

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

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

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 remuneration except for that of Alain Dupont, which 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 awarded pursuant to Articles L.225-177 and L.225-186 of the Commercial Code)

2.1. General information

2.1.2. Number of options per plan

	1999	2000	2001	2002	2003	2004
Date of AGM	27/06/1995	25/05/2000	25/05/2000	25/05/2000	25/05/2000	22/04/2004
Date of Board meeting	30/03/1999 06/07/1999 04/11/1999	04/07/2000	27/03/2001 03/07/2001 18/09/2001	25/06/2002 17/12/2002	17/06/2003	15/03/2004
Number of options awarded by the Board(1)	342,350	1,239,800	4,023,600	3,598,100	2,996,000	3,180,750
- of which to corporate officers			690,000	1,150,000	625,000	800,000
- of which to top 10 employees			1,180,000	320,000	412,000	422,000
Original exercise price before adjustment(1)	297.95 €		39.40 €	27.08 €		
Exercise price after adjustment(2)	**€21.59 to €29.64**	**€69.13**	**€33.75 to €39.40**	**€27.56 to €27.08**	**€22.80**	**€29.61**
Starting date for exercise	30/03/2004 06/07/2004 04/11/2004	04/07/2005	27/03/2005 03/07/2005 18/09/2005	25/06/2006 17/12/2006	17/06/2007	15/03/2008
Expiry date	29/03/2006 05/07/2006 03/11/2006	03/07/2007	26/03/2008 02/07/2008 17/09/2008	24/06/2009 16/12/2009	16/06/2010	14/03/2011
Number of valid options at 31/12/2004	**3,077,248**	**1,097,850**	**3,866,150**	**3,434,875**	**2,975,625**	**3,174,500**
						Total: 17,626,248

(1) The figures for 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.

2.1.2. Stock options by category of beneficiary

	Number of beneficiaries	Number of currently valid options
Senior executives(1)	15	7,604,550
Other beneficiaries	1,611	10,021,698
Total	**1,626**	**17,626,248**

(1) Corporate officers and employees

2.2. Options granted and exercised in 2004

The Annual Meeting on 22 April 2004, in its twentieth resolution, authorised the Board of Directors to grant on one or more occasions options giving entitlement to subscribe new shares or 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.

2.2.1. Options awarded

Options giving entitlement to subscribe new Bouygues shares were awarded in 2004. The Board granted a total of 3,180,750 options to 1,040 beneficiaries, who are corporate officers or employees of Bouygues or Bouygues Group companies.

General information

Date of award	Number of options awarded	Exercise price (€)
15 March 2004	3,180,750	29.61

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 awarded.

The options are valid for seven years from the date on which they were awarded.

Options awarded to the corporate officers and inside directors of Bouygues

Corporate officers inside directors	Company awarding the options	Date of award	Number of options	Exercise price (€)
Martin Bouygues	Bouygues	15 March 2004	200,000	29.61
Olivier Bouygues	Bouygues	15 March 2004	100,000	29.61
Michel Derbesse	Bouygues	15 March 2004	150,000	29.61
Alain Dupont	Bouygues	15 March 2004	100,000	29.61
Yves Gabriel	Bouygues	15 March 2004	75,000	29.61
Olivier Poupart-Lafarge	Bouygues	15 March 2004	100,000	29.61
Alain Pouyat	Bouygues	15 March 2004	75,000	29.61
Total			800,000	

Options awarded to the ten Bouygues employees receiving the greatest number of options

Bouygues employees	Company awarding the options	Date of award	Number of options	Exercise price (€)
Jacques Bernard	Bouygues	15 March 2004	12,000	29.61
François Bertière	Bouygues	15 March 2004	75,000	29.61
Blandine Delafon	Bouygues	15 March 2004	10,000	29.61
Ariel Dubois de Montreynaud	Bouygues	15 March 2004	10,000	29.61
Jean-François Guillemin	Bouygues	15 March 2004	30,000	29.61
Hervé Le Bouc	Bouygues	15 March 2004	50,000	29.61
Philippe Montagner	Bouygues	15 March 2004	100,000	29.61
Gilles Pélisson	Bouygues	15 March 2004	75,000	29.61
Jean-Claude Tostivin	Bouygues	15 March 2004	30,000	29.61
Lionel Verdouck	Bouygues	15 March 2004	30,000	29.61
Total	Bouygues		422,000	

The corporate officers and employees of Bouygues were not granted any options in 2004 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.

2.2.2. Options exercised by the corporate officers and employees of Bouygues in 2004

General information

The options exercised by Group employees in 2004 were as follows.

Plan	Exercise price (€)	Number of options exercised in 2004
28/01/1997	7.44	304,340
30/03/1999	21.59	244,882
06/07/1999	24.72	25,760
25/06/2002	27.56	125
17/06/2003	22.80	2,875

Options exercised by the corporate officers and inside directors of Bouygues

Corporate officers	Company awarding the options	Plan	Number of options exercised	Exercise price (€)
Alain Dupont	Bouygues	30/03/1999	50,900	21.59
Alain Dupont	Colas	25/03/1999	16,000	40.13

Options exercised by the ten Bouygues employees who, by exercising their options, subscribed the greatest number of shares

Bouygues employees	Company awarding the options	Plan	Number of options exercised	Exercise price (€)
Michel Buxeraud	Bouygues	28/01/1997	20,370	7.44
Jean Dagorret	Bouygues	17/06/2003	500	22.80
Gérard Heslouin	Bouygues	28/01/1997	20,370	7.44
André Verdeille	Bouygues	30/03/1999	10,190	21.59
	Bouygues	17/06/2003	2,000	22.80

The company did not register any exercise of options by Bouygues employees in 2004 other than the 53,430 mentioned above.

The Board of Directors

Shareholders

1. Changes in share ownership over the last three years

Shareholder	Situation at 31/12/04				Situation at 31/12/03				Situation at 31/12/02			
	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]	56,849,198	17.08	103,411,302	24.72	47,084,100	14.13	93,937,290	22.05	50,977,056	14.80	93,457,919	22.30
Artémis Group[2]	26,306,518	7.91	29,613,036	7.08	27,006,518	8.11	31,013,036	7.28	27,006,518	7.84	34,496,758	8.23
Total shareholder agreement	**83,155,716**	**24.99**	**133,024,338**	**31.80**	**74,090,618**	**22.24**	**124,950,326**	**29.33**	**77,983,574**	**22.64**	**127,954,677**	**30.53**
Bouygues employees	38,357,093	11.53	66,025,941	15.78	36,536,113	10.97	68,628,395	16.11	34,418,380	9.99	56,154,080	13.40
Other French shareholders	121,235,815	36.43	129,258,321	30.90	130,537,608	39.17	140,428,930	32.96	125,304,718	36.40	135,233,973	32.27
Foreign shareholders	90,000,000	27.05	90,000,000	21.52	91,963,191	27.60	92,022,516	21.60	99,864,957	29.00	99,742,218	23.80
Bouygues[3]	10,000	na	0	0	72,439	0.02	0	0	6,790,290	1.97	0	0
Total	332,758,624	100	418,308,600	100	333,199,969	100	426,030,167	100	344,361,919	100	419,084,948	100

(1) SCDM is a company controlled by Martin Bouygues and Olivier Bouygues. This figure includes shares owned directly by Martin Bouygues and Olivier Bouygues.

(2) The Artémis group (F. Pinault) controls Artémis, Tennessee, Simetra Obligations and Financière Pinault, the companies which directly own the Bouygues shares.

(3) Treasury stock held as a result of the buy-back programme in 2003 and 2004.

Significant changes in share ownership

The main changes in share ownership over the last three years are as follows:

- increase in employee share ownership from 10% to 11.5% of the share capital and from 13.4% to 15.8% of the voting rights;
- no change in the shareholding of Artémis, at 8% of the share capital, but a reduction in voting rights from 8.2% to 7.1%;
- increase in the shareholding of SCDM from 14.8% to 17.1% of the share capital and from 22.3% to 24.7% of the voting rights.

2. Transactions by corporate officers in Bouygues shares in 2004

	Gross movements in the year		Open positions on 31/12/2004			
	Buy	Sell	Buy positions		Sell positions	
Number of corporate officers concerned	1	6	1		1	
Number of shares	10,286,184	1,306,706	Calls bought	20,000	Calls sold	20,000
			Puts sold	0	Puts bought	0
			Forward purchases	0	Forward sales	0
Weighted average price (in €)	**29.38**	**28.74**				

3. Shareholder agreements

3.1. Bouygues

The terms of the shareholder agreement of 4 December 1998 between SCDM and Artémis relating to their holdings in Bouygues were published by the Conseil des Marchés Financiers (financial markets regulator) in a notice of 9 December 1998. They have been amended on three occasions. The amendments were published by the Conseil des Marchés Financiers in decisions dated 13 September 2001 and 23 May 2003 and by the Autorité des Marchés Financiers in a decision dated 18 January 2005.

In accordance with the regulations, the parties acting in concert stated their intentions to the Conseil des Marchés Financiers in the following terms:

- Concerted policy within the company: under the terms of a shareholder agreement concluded on 4 December 1998 for 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 each agreed to limit their shareholdings 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.

Under the terms of the supplementary agreement of 21 December 2004, Artémis undertakes not to hold more than 10% of Bouygues' share capital and SCDM undertakes not to hold more than 23%. Artémis further agrees not to hold more than 3,306,518 double voting rights, the number it held on conclusion of the supplementary agreement.

3.2. 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 2004

1.1. Stock

In 2004, Bouygues was listed on the first market (Deferred Settlement Market) of Euronext Paris. It has been included in Euronext's Eurolist (compartment A) since 21 February 2005.

There were 332,758,624 shares and investment certificates in issue at 31 December 2004.

In 2004, 577,982 shares were created as a result of the exercise of stock options and 13,556,732 by conversion of OCEANE bonds and 14,576,059 shares were cancelled.

An average of 335,599,620 shares and investment certificates were in issue in 2004.

An average of 1,328,335 shares were traded daily, 7.11% less than in 2003.

In 2004, Bouygues registered the tenth best performance of the CAC 40, rising by 22.7% to a closing price of 34 euros on 31 December. The CAC 40 rose by 7.4% over the year.

The major French stocks continued to recover in 2004 after a three-year decline that began in 2001 and bottomed out in March 2003. The Bouygues share price has risen steadily since then, accelerating after an exceptional payout was announced on 23 July 2004. The markets also appreciated fine performances in all Bouygues' business areas, especially the recovery of Bouygues Construction.

On 7 January 2005, when the exceptional payout of 5 euros per share was made, the share price logically showed a correction by that amount, registering a closing price of 35.24 euros on 6 January 2005 and an opening price of 30.2 euros on 7 January 2005.

The share price has continued to rise since, reflecting investors' positive perception of the stock and of the outlook for the Group.

The market price of the share at 1 March 2005 was 32.78 euros.

	Number of shares	Dividend (€)			Market price			Dividend yield based on last price (%)
		Net	Tax credit	Total	Highest	Lowest	Last	
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	2.7
2004	332,254,414	0.75(1)	-	0.75	34.26	25.94	34.00	2.2

(1) New tax rules: the tax credit has been abolished from 1 January 2005. Persons resident for tax purposes in France will be eligible for 50% tax relief on their dividend.

1.2. Investment certificate

Bouygues investment certificates were listed on the first market of Euronext Paris in 2004. They have been included in Euronext's Eurolist (compartment A) since 21 February 2005. 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	
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
2004	504,210	0.75(1)	-	0.75	37.18	23.10	35.00	2.1

(1) New tax rules: the tax credit has been abolished from 1 January 2005. Persons resident for tax purposes in France will be eligible for 50% tax relief on their dividend.

The market price of investment certificates at 25 February 2005 was 29.30 euros.

2. Stock price and number of shares traded

2.1. Bouygues share price in the last 18 months

	Highest	Lowest	Number of shares traded	Capital (€million)
2003				
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	602
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	802
2004				
January	29.89	27.71	30,215,526	874
February	29.90	28.20	20,933,853	611
March	30.79	27.05	34,068,284	979
April	29.70	27.68	38,385,856	1,100
May	29.27	26.75	35,629,803	1,010
June	28.71	27.40	25,950,674	727
July	28.11	25.94	24,050,209	653
August	28.73	26.55	21,222,382	584
September	30.64	27.58	27,839,474	812
October	31.70	29.92	24,079,054	744
November	33.60	30.82	21,289,133	692
December	34.26	32.00	32,685,449	1,086

Source: Euronext

2.2. Price of investment certificate

	Highest	Lowest	Number of certificates traded
1st quarter 2004	29.00	24.84	4,887
2nd quarter 2004	29.95	24.48	6,512
3rd quarter 2004	33.00	23.10	10,952
4th quarter 2004	37.18	29.10	8,407

There are no OCEANE bonds in issue following early redemption on 29 April 2004.

Capital

1. General information

1.1. Amount of share capital

At 31 December 2003, Bouygues had share capital of €333,199,969, divided into 333,199,969 shares of €1 par(1). 528,430 shares were divided into the same number of investment certificates and voting certificates.

In 2004, 577,982 new shares were created following the exercise of stock options awarded to Group employees, 13,556,732 shares were created as a result of conversion of the OCEANE bonds and 14,576,059 shares bought back by the company were cancelled.

Consequently, at 31 December 2004 Bouygues had share capital of €332,758,624, divided into 332,758,624 shares of €1 par. 504,210 shares were divided into the same number of investment certificates and voting certificates.

There were 418,308,600 voting rights at 31 December 2004 (426,030,167 at 31 December 2004).

(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.

1.2. 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: Par	Amount of changes in share capital: Premiums and incorporation of reserves	Amount of share capital	Aggregate number of shares and investment certificates
01/01 to 25/05/2000	• Exercise of options for 47,914 shares	365,222	3,233,661	231,633,979	30,388,386
	• OCEANE conversion: 14,500 shares	110,526	3, 637,693	231,744,505	30,402,886
	• April capital increase: 2,026,186 shares(1)	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
	• OCEANE bond 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
	• OCEANE bond 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(2)	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
	• OCEANE bond conversion: 12,216 shares	12,216	302,664	343,751,379	343,751,379
2002	• Exercise of options for 610,530 shares	610,530	3,930,741	344,361,909	344,361,909
	• OCEANE bond conversion: 10 shares	10	246	344,361,919	344,361,919
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 bought back by the company	(9,685,825)	(236,218,525)	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)	(57,386,267)	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
01/01 to 10/06/2004	• Exercise of options for 386,240 shares	386,240	3,646,271	333,586,209	333,586,209
	• OCEANE bond conversion: 13,556,732 shares	13,556,732	335,881,691	347,142,941	347,142,941
15/06/2004	• Cancellation of 13,942,972 shares bought back by the company	(13,942,972)	(379,655,105)	333,199,969	333,199,969
11/06 to 06/10/2004	• Exercise of options for 191,742 shares	191,742	4,032,822	333,391,711	333,391,711
14/12/2004	• Cancellation of 633,087 shares bought back by the company	(633,087)	(20,177,199)	332,758,624	332,758,624

(1) COB certificate 00-243 of 1 March 2000
(2) COB certificate 00-1,328 of 21 July 2000

1.3. Authorisations to increase or reduce the capital, issue bonds or transferable securities and buy back shares

The following table lists the currently valid authorisations given by the Annual Meeting to the Board of Directors and the use made of them during the year.

	Maximum nominal amount (€ million)	AGM	Term	Use of authorisations in 2004
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	22/04/04	26 months	None
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	22/04/04	Until the meeting to approve the accounts for 2004	None
3. Shares, investment certificates and all other transferable securities (including share and investment certificate warrants), with preferential subscription rights (or incorporation of premiums, reserves, etc.)	150 4,000 (debt securities)	22/04/04	26 months	None
4. Shares, investment certificates and all other transferable securities (including share and investment certificate warrants), without preferential subscription rights	150 4,000 (debt securities)	22/04/04	26 months	None
5. Shares to be issued under stock option plans, without preferential subscription rights	Statutory limit (Article L.225-182 of the Commercial Code)	22/04/04	38 months	15/03/04: introduction of a stock option plan allowing 1,040 beneficiaries to subscribe 3,180,750 shares (exercise price €29.61)
6. Bond issues	4,000	22/04/04	5 years	1,000 million euros(1)
7. Purchase by the company of its own shares or investment certificates	1,000	22/04/04	18 months	Purchase of 17,842,428 shares (including 1,898,896 under the buy-back programme authorised by the Annual Meeting on 24/04/03)
8. Cancellation by the company of treasury stock	10% of the share capital per 24 month period	22/04/04	18 months	15/06/04: cancellation of 13,942,972 shares (4.02% of the share capital at that date) 14/12/04: cancellation of 633,087 shares (0.19% of the share capital at that date)

1) On 29 October 2004, on a decision of the Board, Bouygues carried out a 1 billion euro bond issue outside France. 1,000,000 bearer bonds maturing 29 October 2014 were issued for €1,000 par at a fixed rate of 4.375%. The issue was made under Article L.228-40 of the Commercial Code, in the wording derived from the ordinance of 24 June 2004, which empowers the Board to issue ordinary bonds.

The following table summarises the authorisations that the Annual Meeting on 28 April 2005 will be asked to give the Board. As of the date of meeting they will cancel and replace previous authorisations having the same purpose, where relevant for the unused part.

Purpose	Total celling or maximum nominal amount (€ million)	Term
1. Purchase by the company of its own shares or investment certificates	10% of the capital	18 months
2. Issuance (with preferential subscription rights) of shares or transferable securities giving access to the capital of the company or of a company of which it owns more than 50%	150 5,000 (debt securities)	26 months
3. Capital increase by incorporation of reserves, earnings or issue premiums	4,000	26 months
4. Issuance (without preferential subscription rights) of shares or transferable securities giving access to the capital of the company or of a company of which it owns more than 50%	150(1) 5,000 (debt securities)(1)	26 months
5. Increase in the number of securities to be issued in the event of a capital increase, with or without preferential subscription rights	15% of the initial issue(1)	26 months
6. Determination of the issue price for a public offering, without preferential subscription rights, of stock or transferable securities giving access to the capital	10% of the capital(1)	26 months
7. Capital increase with a view to remunerating contributions in kind consisting of a company's stock or transferable securities giving access to the capital	10% of the capital(1)	26 months
8. Capital increase with a view to remunerating securities tendered in an exchange offer	150(1)	26 months
9. Capital increase in favour of company or Group employees belonging to a corporate savings plan	10% of the capital	26 months
10. Approval of the issuance by a subsidiary of transferable securities giving immediate or future access to shares in the company	150(1)	26 months
11. Allocation of free shares to company or Group employees	10% of the capital	38 months
12. Issuance of shares in the context of stock options, without preferential subscription rights	Statutory limit	38 months
13. Issuance of transferable securities giving entitlement to the allocation of debt securities	5,000	26 months
14. Capital reduction by cancellation of treasury stock	10% of the capital per 24-month period	18 months
15. Issuance of non-voting preference shares having the same rights as investment certificates	10 10 (debt securities)	18 months

(1) Set against the total ceiling indicated in paragraph 2.

2. Employee share ownership

At 31 December 2004, Group employees held 11.53% of Bouygues' capital and 15.78% of voting rights, mainly 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 €42.2 million in contributions in the last five years. At 31 December 2004, the Fund held 2.57% of Bouygues' capital and 3.96% 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 2004, it held 2.98% of Bouygues' capital and 4.29% of voting rights. A total of €303,550,000 has been paid into the Corporate Savings Plan in the last five years, including €169,735,000 in employee contributions and €133,815,000 million in matched contributions.
- Bouygues Confiance, a leveraged mutual fund created following the capital increase in December 1999 and January 2000, held 2.20% of the capital and 1.75% of voting rights at 31 December 2004. The fund matured on 5 January 2005 and the sums held were paid back to employee shareholders.
- Following the capital increase in 2001, at 31 December 2004 the Bouygues Confiance 2 and Bouygues Confiance 2 International leveraged mutual funds held 2.77% of the capital and 4.40% of voting rights.
- A Bouygues Immobilier mutual fund held 0.08% of the capital and 0.11% of voting rights. A Saur mutual fund held 0.02% of the capital and 0.04% of voting rights.

3. Stock options

At 31 December 2004, currently valid stock options awarded under the terms of authorisations given by extraordinary shareholders' meetings represented a maximum of 5,537,292 new shares. This figure corresponds to options that can actually be exercised, ie, those for which the right of exercise is no longer restricted and the exercise price is lower than the market price on 31 December 2004 (34.00 euros).

4. Bonds convertible into new shares and/or exchangeable for existing shares (OCEANE bonds)

The company issued 1,905,490 OCEANE bonds with a par value of €262.4 at 1.7% per annum, bearing interest from 4 February 1999. They were redeemable in full on 1 January 2006.

On 24 March 2004, in accordance with the terms of issue, Bouygues decided to exercise its option of early redemption for all the 1,625,810 OCEANE bonds still in issue.

In accordance with the terms of issue, OCEANE bondholders could ask for their bonds to be converted into shares up to 20 April 2004 inclusive.

1,331,713 OCEANE bonds were presented for conversion into shares on the basis of 10.18 shares per bond. 13,556,732 new shares were created, bearing dividend from 1 January 2004 and delivered on 29 April 2004.

Bouygues bought 260,718 OCEANE bonds on the market and cancelled them.

The 33,379 outstanding OCEANE bonds not presented for conversion were redeemed for cash on 29 April 2004 at €262.40 per bond plus accrued interest since 1 January 2004 of €1.45, giving a total of €263.85 per bond.

The redemption represented a total of €8.8 million.

5. Potential creation of new shares

5,537,292 shares would be added to the 332,758,624 shares and investment certificates in issue at 31 December 2004 if all exercisable stock options were exercised, bringing the total number of shares and investment certificates to 338,295,916.

6. Buy-back of Bouygues stock

The Annual Meeting on 22 April 2004 authorised a programme for the company to buy back its shares. A memorandum relating to the buy-back, certified by the AMF (04-226), was published on 2 April 2004.

The company acquired 17,842,428 shares in 2004 (1,898,896 shares were acquired from January to April under the programme authorised by the Annual Meeting on 24 April 2003; 15,943,532 shares were acquired from April to December under the programme authorised by the Annual Meeting on 22 April 2004), representing 5.36% of the capital at 31 December 2004.

The Annual Meeting on 22 April 2004 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 15 June 2004 the Board cancelled 13,942,972 shares representing 4.02% of the capital at that date and, on 14 December 2004, 633,087 shares representing 0.19% of the capital at that date.

Summary of purchases and sales of shares in 2004

Treasury stock at 31/12/03	72,439
Number of shares purchased during the year	17,842,428
Number of shares sold during the year	3,328,808
Number of shares cancelled during the year	14,576,059
Treasury stock at 31/12/04	10,000(1)
Percentage of the share capital held by the company at 31/12/04	0.003%

(1) Under the terms of a liquidity agreement that complies with the AFEI Code of Ethics approved by the COB instruction of 10 April 2001.

Results of Bouygues SA

1. Dividend

1.1. 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, before appropriation to the legal reserve, amounted to €628,343,867.62, is asked to approve the following appropriation and distribution:

- appropriation of €2,871,169.00 to the special long-term capital gains reserve;
- appropriation of €100,000,000.00 to other reserves;
- distribution of a first net dividend (5% of par) of €0.05 per share or per investment certificate, representing a total amount of €16,637,931.20, deducted from distributable earnings;
- distribution of an additional net dividend of €0.70 per share or per investment certificate of €1 par, representing a total amount of €232,931,036.80;
- allocation of the balance in the amount of €275,903,730.62 to retained earnings.

Subject to approval by the Annual Meeting, the dividend of €0.75 net per share and per investment certificate, or €249,568,968.00, will be paid in cash from 4 May 2005.

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:

	2001	2002	2003	2004
Number of shares	343,751,379	344,361,919	333,199,969	332,758,624
Dividend	€0.36	€0.36	€0.50	€0.75
Tax credit(1)	€0.18	€0.18	€0.25	-
Total dividend per share	€0.54	€0.54	€0.75	€0.75
Total dividend amount	**€123,750,496.44**	**€123,970,290.84**	**€166,599,984.50**	**€249,568,968.00**

(1) on the basis of a 50% rate

Dividends not claimed within five years are paid to the government.

2. Summary of last five years' results

	2000	2001	2002	2003	2004
CAPITAL AT YEAR-END					
a) Share capital (in €)	332,694,688	343,751,379	344,361,919	333,199,969	332,758,624
b) Number of ordinary shares in issue	332,074,968	343,158,371	343,801,210	332,671,539	332,254,414
c) Number of investment certificates (without voting rights)	619,720	593,008	560,709	528,430	504,210
d) Maximum number of shares to be created in the future:					
• *by conversion of investment certificates*[(1)]	619,720	593,008	560,709	528,430	504,210
• *by exercise of stock options*	7,660,890	10,588,944	13,420,560	15,326,960	17,582,610
• *by conversion and/or exchange of convertible bonds*	16,562,972	16,550,756	16,550,746	16,550,746	-
OPERATIONS AND RESULTS FOR THE YEAR (in €)					
a) Sales excluding taxes	64,302,455	73,416,040	62,497,403	61,677,048	68,137,090
b) Earnings before tax, depreciation, amortisation and provisions	421,701,258	230,010,624	21,715,695	119,984,708	385,435,019
c) Income tax	3,988,987	22,310,429	(1,925,403)	58,783,774	55,295,002
d) Employee profit-sharing	-	-	-	(250,000)	(69,154)
e) Earnings after tax, depreciation, amortisation and provisions	478,057,461	236,941,212	120,842,391	216,422,001	585,890,338
f) Distributed earnings	119,770,088	122,306,699	121,089,514	166,423,811	249,568,968
g) Withholding	0	0	0	0	0
EARNINGS PER SHARE (in €)					
a) Earnings after tax but before depreciation, amortisation and provisions	1.26	0.73	0.06	0.54	1.32
b) Earnings after tax, depreciation, amortisation and provisions	1.44	0.69	0.35	0.65	1.76
c) Gross dividend allocated to each share	0.54	0.54	0.54	0.75	0.75[(2)]
PERSONNEL					
a) Average number of employees during the year	249	261	253	244	227
b) Payroll (in €)	32,117,774	38,521,514	36,496,987	37,747,311	38,215,169
c) Amount paid in respect of benefits (social security, company benefits, etc.) (in €)	14,837,450	15,062,453	11,250,274	12,551,862	13,363,283

(1) Given that such conversion does not change the share capital

(2) Without tax credit

Application of IFRS at 1 January 2004

In accordance with Regulation No 1606/2002 of the European Council of 19 July 2002, companies whose securities are admitted to trading on a regulated market of any Member State must prepare their consolidated accounts in conformity with the International Financial Reporting Standards (IFRS) issued by the IASB for each financial year starting on or after 1 January 2005.

For the 2004 financial year, French accounting standards still apply. However, the first 2005 financial statements prepared under IFRS must provide a year of comparison, requiring financial statements to be prepared under IFRS for each 2004 quarterly report.

In order to provide this comparative information, the Group has prepared its IFRS opening balance sheet as of 1 January 2004, the first-time application date of IFRS as approved by the European Union at 31 December 2004; the effects of the transition are attributed to consolidated shareholders' equity at the opening date.

The choice of standards applied to the provisional accounts corresponds to the Group's assumptions about the standards that will apply on 31 December 2005, as adopted by the European Union. In view of the uncertainties about which standards and interpretations will apply, the Group may modify certain options and accounting methods.

The information given below relates to the affiliation at 1 January 2004 in accordance with the recommendations of the Autorité des Marchés Financiers concerning financial communication during the transitional period.

1. General principles of the transition to IFRS

The conditions for the transition from the old accounting standards to IFRS are defined in IFRS 1: *"First-time Adoption of International Financial Reporting Standards (FTA)"*

In certain cases, the new standards provide a choice between application of the benchmark accounting treatment or an alternative authorised treatment. IFRS 1 permits companies to choose between accounting treatments for the first-time accounting of certain operations under IFRS. We give details below of the main options and restatements made by the Group in this respect.

1.1. Scope of consolidation

The application of the new standards results in insignificant changes to the consolidation basis. Joint ventures are accounted for using proportional consolidation (IAS 31).

1.2. Tangible and intangible fixed assets (IAS 16 and 38)

The Bouygues group has used the depreciated cost model to value its tangible and intangible assets after initial recognition.

NB: the other method which has not been used is the fair value model.

As IFRS did not provide any precise information about certain specific operations, the French accounting standard has been used until the IASB defines the accounting treatment of:

- utilities management services (concessions etc);
- customer retention provisions (Bouygues Telecom). The balance sheet at 1 January 2004 was restated for this change of method at the end of December 2004.

1.3. Main options chosen in the first-time application of IFRS (IFRS 1)

1.3.1. Business combinations

Business combinations that occurred prior to 1 January 2004 (first-time application date of IFRS), have not been restated retrospectively. Goodwill and fair value adjustments to assets or liabilities at 1 January 2004 are measured at their deemed cost (less accumulated depreciation and impairment losses, booked at the end of 2003).

Note that goodwill is no longer amortised on a straight-line basis.

The market shares arising from the fair value adjustments of acquired companies were reallocated to goodwill at 1 January 2004. Under French accounting standards, market shares were subject to impairment tests determined under the same conditions as those provided by IFRS (use of defined cash-generating units or CGUs). The application of the new rules has no impact on these valuations.

1.3.2. Translation reserve

The translation reserve at 1 January 2004 under French accounting standards has been reset to zero in accordance with the option offered by IFRS 1 by recording it in 'Consolidation reserve' (no impact on the total amount of consolidated shareholders' equity).

1.3.3. Actuarial gains and losses

Actuarial gains and losses refer to the Group's commitments calculated in respect of staff retirement benefits. At 1 January 2004, these actuarial gains and losses were included in 'Non-current provisions' offset by consolidated shareholders' equity (resetting of the 'corridor' to zero). The 'corridor' approach is used for later actuarial gains and losses.

1.3.4. Tangible fixed assets

By business line, tangible fixed assets were recorded at their depreciated cost at 1 January 2004, taking into account the estimated terminal residual value and a specific depreciation period for each of the components defined for the fixed asset concerned (property, plant, equipment etc.). The difference between the initial residual value and the reconstituted value has been taken to consolidated shareholders' equity. In accordance with the definitions set out by the IFRS system, certain reclassifications have been made.

1.4. Other principles and options chosen

1.4.1. Financial instruments

As of 1 January 2004, the Group has taken into account the impacts relating to the application of IAS 39 on financial instruments. These consist primarily of hedging instruments (forex risks). To this date, their amount is insignificant.

1.4.2. Share-based payment (IFRS 2)

The Group has applied IFRS 2 as of 1 January 2004 for all payment plans granted after 7 November 2002 and with an acquisition date later than 1 January 2005.

1.4.3. Off-plan property sales

The application of IFRS has changed the presentation in the accounts of sales of this kind. Under French accounting standards, upon the customer's signature, the entire notarised sale was included in accounts receivable offset by accrued income. Sales were valued as works progressed.

Under IFRS, only the last transaction is still presented (accounts receivable/sales) on the basis of the state of progress of the property transaction.

2. Comparative balance sheets at 1 January 2004 under IFRS and French accounting standards/Analysis of main changes (assets/liabilities)

The tables below show the balance sheet at 1 January 2004 prepared in accordance with IFRS 1 in particular and in accordance with all IFRS standards in general.

2.1. Summary opening balance sheet at 1 January 2004 (€ million)

ASSETS	French standards	IFRS	Diff. under IFRS
Tangible fixed assets	4,532	5,020	+488
Intangible fixed assets	6,409	1,088	-5,321
Goodwill	264	5,272	+5,008
Other non-current assets	778	1,558	+780
Current financial assets	2,616	2,598	-18
Other current assets	10,518 (1)	8,683	-1,835
Total	**25,117**	**24,219**	**- 898**

LIABILITIES	French standards	IFRS	Diff. under IFRS
Shareholders' equity, Group share	5,058 (1)	5,014	-44
Minority interests	1,046 (1)	890	-156
Total shareholders' equity	**6,104**	**5,904**	**-200**
Non-current provisions	1,896	1,516	-380
Non-current financial liabilities	5,160	4,233	-927
Other current liabilities	11,715 (1)	11,100	-615
Current financial liabilities	242	1,466	+1,224
Total	**25,117**	**24,219**	**-898**
Net debt	**2,786**	**3,101**	**+315**
as % of shareholders' equity	**45%**	**53%**	

(1) French standards at 1 January 2004 restated for the change of method for the customer retention provision (Bouygues Telecom) booked at the end of 2004 under French standards (maintained under IFRS as stated in paragraph 1.2) / current liabilities = +136.

2.2. Comments on the main changes at 1 January 2004

2.2.1. Assets

		€m
• **Tangible fixed assets =**		**+488**
Finance leases	124	
Net reclassification from other items (mainly telecoms software)	297	
Net depreciation basis and periods restatement (buildings, telecoms equipment, etc.)	78	
Other	-11	
• **Intangible fixed assets =**		**-5,321**
Reclassification of fair value adjustments as goodwill (market shares etc.)	-5,027	
Other reclassifications as tangible fixed assets or other items (mainly telecoms software)	-239	
Depreciation of intangible assets and other	-55	
• **Goodwill =**		**5,008**
Reclassification of fair value adjustments of intangible assets (previously recorded as market shares of acquired entities)	5,027	
Other reclassifications	-19	
• **Other non-current assets =**		**780**
Reclassification of deferred tax assets (as 'Other current assets')	706	
Additional net impact of deferred tax assets relating to IFRS and other	74	
• **Current financial assets =**		**-18**
Net restatement of securitisation operations (Bouygues Telecom) and valuation of hedging instruments		
• **Other current assets =**		**-1,835**
Reclassification of deferred tax assets as non-current assets	-706	
Restatement of property receivables for off-plan sales (VEFA) (symmetrical reduction as 'Other current liabilities')	-936	
Reclassification of unreleased production rights (TF1) (offset by 'Other current liabilities')	-72	
Restatement of charges	-32	
Other (securitisation, reclassifications, etc.)	-89	

2.2.2. Liabilities

		€m
• **Non-current provisions =**		**-380**
Reclassification of provisions as current liabilities (normal operating cycle) under IFRS	-436	
Net additional provisions relating to IFRS treatment (employee benefits, deferred tax liabilities, etc.)	56	
• **Non-current financial liabilities =**		**927**
Reclassification of current financial liabilities	-984	
Reclassification of 'Other shareholders' equity' (mainly Bouygues Telecom participating loans)	167	
Net other (securitisation, finance leases, etc.)	-110	
• **Other current liabilities =**		**-615**
Reclassification of current provisions	436	
Restatements relating to property activities (symmetrical reduction as 'Other current liabilities')	-936	
Other (TF1 rights, offset by current assets)	-115	
• **Current financial liabilities =**		**1,224**
Reclassification of current financial liabilities	984	
Securitisation and net hedging instruments	186	
Other (finance leases, etc.)	54	

3. Analysis of the changes to consolidated shareholders' equity at 1 January 2004: French standards --> IFRS

Group share under French standards (restated for customer retention provision) =	**5,058**
• Net tangible (and intangible) fixed assets: depreciation basis / periods and charges (IAS 16 and 38)	-1
• Provisions for employee benefits (IAS 19)	-52
• Net deferred taxes on IFRS restatements (IAS 12)	20
• Other	-11
Group share under IFRS =	**+5,014**
Minority interests under French standards (adjusted) =	**+1,046**
• Reclassification as non-current financial liabilities of minority interests on Bouygues Telecom participating loans (and other shareholders' equity)	-167
• Other	11
Minority interests under IFRS =	**+890**

4. IFRS income statement: estimated main impacts of IFRS on the income statement (standard year)

Sales

• Water and electricity distribution activities of subsidiaries in Africa and Italy (neutralisation of surcharges relating to public authorities)	-270	
• Other businesses	-50	
Total	**-320**	
(--> Restatements not affecting operating income)		

Earnings before tax

• Current depreciation of tangible and intangible assets (net)	+15
• Goodwill: neutralisation of annual straight-line depreciation (IAS 36)	+40
• Stocks options: inclusion of allocated stock option plans (IFRS 2)	-20
Total	**+35**

5. State of progress of the plan to implement IFRS in the Bouygues group

The Group's first accounts to be prepared under IFRS will be Q1 2005 earnings (in June 2005).

5.1. In preparation

IFRS consolidated financial statements to 31 December 2004: reconciliation between consolidated shareholders' equity and the income statement under French accounting standards and under IFRS, including analysis of essential cash flows in 2004 under IFRS, will be presented when the Group publishes its first consolidated financial statements for 2005.

5.2. Key dates

- **3 May 2005:** Q1 2005 sales under IFRS, with 2004 comparison (IFRS).
- **22 June 2005:** Q1 2005 earnings under IFRS (with comparisons to 31 March 2004 and 31 December 2004).

For information purposes, the Group will publish all of its 2004 accounts to 30 June, 30 September and 31 December under IFRS.

The consolidated income and cash flow statements will now be presented in accordance with the CNC recommendation of 27 October 2004 (2004/R-02).

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 (sold in 2004)
1986 Acquisition of Colas, the world's leading roads firm
1987 Bouygues is named operator and main shareholder of TF1
1989 Martin Bouygues is appointed Chairman & CEO of the Bouygues group
1996 Launch of Bouygues Telecom, France's third mobile phone operator
2002 Bouygues Telecom launches i-mode™, the pocket internet
2003 Bouygues owns 83% of Bouygues Telecom
2004 Exceptional payout of €1.7 billion

3. By-laws

The by-laws are published in full in the Finance/Shareholders section of the Bouygues website www.bouygues.com.
NB: The Annual Meeting on 25 April 2005 will be asked to set the term of office for directors at three years instead of the present six.

3.1. Purpose (Article 2 of the by-laws)

The company has as its purpose in all countries:

- the acquisition, directly or indirectly, of interests in all French or foreign companies or groupings, whatever their purpose or business, and the management and disposal as appropriate of such interests,
- the creation, acquisition, operation and disposal as appropriate of all French or foreign undertakings, in any field of business, whether industrial, commercial or financial, including in particular in the construction sector (building, civil works, roads, property) and the service sector (public utilities management, media, telecommunications),
- and in general all industrial, commercial, financial, mining and agricultural operations or transactions and all operations or transactions involving movable or real property relating directly or indirectly to the purpose set forth above or to all similar or related purposes that may enable or facilitate the achievement or pursuit thereof.

3.2. Appropriation of earnings (Article 24 of the by-laws)

At least 5% of net earnings for the year, minus prior losses if any, are retained in order to constitute the legal reserve. This requirement ceases to be mandatory when the legal reserve equals one tenth of the share capital.

The sum necessary to pay the holders of shares and investment certificates a first dividend equal to 5% of the paid-up share capital is retained from distributable earnings. After appropriations to other reserves and to retained earnings decided by the Annual Meeting, the balance of distributable earnings is divided between the holders of shares and investment certificates.

3.3. Annual meetings (Articles 19 to 21 of the by-laws)

Annual meetings of shareholders are called in accordance with the formalities required by law. They consist of all holders of shares and voting certificates, whatever the number of shares or certificates they hold.

Special meetings of holders of investment certificates and of bonds issued by the company may be called in the cases provided for by the prevailing laws and regulations.

All documents required in order to vote at annual meetings must reach the company at the latest on the third day before the date of the meeting.

3.4. Double voting rights (Article 12 of the by-laws - provision in force since 1 January 1972)

Double voting rights are allocated to all fully paid-up shares that are proved to have been registered for at least two years in the name of the same holder.

In the event of a capital increase by incorporation of reserves, profits or premiums, double voting rights are conferred as of issue on registered shares allocated as a bonus to shareholders in respect of existing shares conferring such entitlement. Double voting rights attached to registered shares will be lost if such shares are converted into bearer shares or if title to them is transferred, except in cases where the law provides otherwise.

The extraordinary shareholders' meeting may not abolish double voting rights without being authorised to do so by a special meeting of holders of those rights (Article L.225-99 of the Commercial Code).

3.5. Thresholds (Article 8.3 of the by-laws)

Persons holding directly or indirectly at least 1% of the capital or voting rights are required to inform the company of the total number of shares or voting certificates they own. Notification must be made by registered letter with acknowledgment of receipt sent to the registered office within fifteen days of conclusion of the transaction, on or off the stock market, irrespective of delivery of the securities.

Further disclosures must be made under the same conditions each time the 1% threshold is crossed in either direction.

If disclosures are not made under the conditions set forth above, the voting rights attached to shares or voting certificates exceeding the fraction that should have been disclosed are suspended under the conditions provided by law if a request to that effect is made at the Annual Meeting by one or more shareholders holding at least 5% of the share capital or voting rights.

Under the terms of Article 8.2 of its by-laws, the company is authorised to use all legal means regarding the identification of holders of securities conferring an immediate or future right to vote at shareholders' meetings.

4. Places where legal documents may be consulted

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

Balance sheet at 31 December

Assets (€ million)

	Note	12/2004 Net	12/2003 Net	12/2002 Net
Intangible fixed assets		5,634	6,409	5,746
Goodwill		192	264	297
Tangible fixed assets		4,205	4,532	5,525
Long-term investments[a]				
Non-consolidated subsidiaries and affiliates		*126*	*145*	*146*
Equity-method subsidiaries and affiliates		*474*	*472*	*456*
Other		*122*	*161*	*187*
		722	778	789
FIXED ASSETS	3	10,753	11,983	12,357
Inventories		1,208	1,181	1,111
Programmes and broadcasting rights		535	693	667
Advances and payments on account		369	105	97
Trade receivables[b]		5,659	5,972	5,865
Other receivables, prepaid expenses and similar items[b] [c]		3,085	2,519	2,780
Short-term investment securities		2,810	2,144	1,380
Cash and equivalents		446	472	526
CURRENT ASSETS	4	14,112	13,086	12,426
TOTAL ASSETS		**24,865**	**25,069**	**24,783**
(a) of which due in less than one year		*5*	*3*	*3*
(b) of which due in more than one year		*407*	*750*	*878*
(c) 12/2004: of which receivable from PAI partners on sale of Saur shares		*1,031*		

Liabilities (€ million)

	Note	12/2004 Net	12/2003 Net	12/2002 Net
Authorised capital		333	333	344
Premiums, reserves and consolidated earnings[d]		3,745	4,867	4,869
Translation reserve		(95)	(69)	20
Treasury stock				(222)
SHAREHOLDERS' EQUITY (attributable to Group)[h]		3,983	5,131	5,011
Minority interests		964	894	1,024
TOTAL SHAREHOLDERS' EQUITY		4,947	6,025	6,035
Other equity		140	167	344
SHAREHOLDERS' EQUITY AND OTHER EQUITY	5	5,087	6,192	6,379
PROVISIONS FOR LIABILITIES AND CHARGES	6	1,866	1,896	1,882
FINANCIAL LIABILITIES[e]	7	4,686	5,160	4,825
PROGRESS PAYMENTS RECEIVED		480	576	544
Trade payables		5,207	5,345	5,241
Other non-financial liabilities, accrued income and similar items[g]		7,289	5,658	5,630
NON-FINANCIAL LIABILITIES[f]	8	12,496	11,003	10,871
Short-term bank borrowings		250	242	282
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**24,865**	**25,069**	**24,783**
(d) of which net earnings for the year (attributable to Group)		*858*	*450*	*666*
(e) of which due in less than one year		*241*	*1,178*	*724*
(f) of which due in more than one year		*223*	*303*	*219*
(g) (h) 12/2004: of which exceptional payout to be made on 07/01/05		*1,664*		

Consolidated income statement

(€ million)

	Note	2004	2003	2002
SALES[1]		**23,402**	**21,822**	**22,247**
Other operating income		1,114	1,104	1,249
Purchases and changes in inventories		(5,206)	(4,888)	(4,836)
Taxes other than income tax		(512)	(473)	(492)
Personnel costs		(4,827)	(4,615)	(4,710)
External charges and other operating expenses		(11,153)	(10,431)	(11,183)
Net depreciation, amortisation and provisions		(1,322)	(1,339)	(1,294)
Share in earnings of unincorporated joint ventures		51	58	77
OPERATING INCOME	**13**	**1,547**	**1,238**	**1,058**
Net financial items	9	(165)	(219)	(291)
EARNINGS BEFORE TAX AND EXCEPTIONAL ITEMS	**13**	**1,382**	**1,019**	**767**
Net exceptional items	11	209	(14)	368
Income tax	12	(519)	(380)	(316)
NET EARNINGS OF CONSOLIDATED COMPANIES		**1,072**	**625**	**819**
Share in earnings of companies accounted for by the equity method	13	42	43	52
NET EARNINGS BEFORE MINORITY INTERESTS AND AMORTISATION OF GOODWILL		**1,114**	**668**	**871**
Amortisation of goodwill		(55)	(42)	(42)
NET EARNINGS BEFORE MINORITY INTERESTS		**1,059**	**626**	**829**
Minority interests		(201)	(159)	(154)
Share in earnings acquired from minority interests			(17)	(9)
NET EARNINGS (attributable to Group)		**858**	**450**	**666**
Earnings per share (€)		2.57	1.34	1.93
Diluted earnings per share (€)		2.53	1.28	1.84
(1) of which sales generated outside France:		*6,370*	*6,110*	*7,195*

Consolidated cash flow statement (€ million)

	Note	2004	2003	2002
A – OPERATING ACTIVITIES				
Cash flow from operations	13	**2,267**	**2,073**	**1,713**
Net earnings of consolidated companies[1]		1,045	611	804
Depreciation, amortisation and provisions on fixed assets		1,234	1,255	1,268
Net change in provisions and deferred taxes		367	264	93
Expenses to be amortised over several periods (gross)		(6)	(4)	(22)
Net gain (loss) on disposals of assets and other items		(373)	(53)	(430)
Change in working capital requirement	13	**423**	**239**	**438**
Current assets, prepaid expenses and similar items		(137)	(236)	442
Net progress payments received, non-financial liabilities and other items		560	475	(4)
NET CASH FROM OPERATING ACTIVITIES		2,690	2,312	2,151
B – INVESTING ACTIVITIES				
Increase in fixed assets:		**(1,601)**	**(2,250)**	**(3,618)**
Acquisitions of intangible and tangible fixed assets		(1,263)	(1,133)	(1,946)
Acquisitions of participating interests		(338)	(1,117)	(1,672)
Decrease in fixed assets:		**1,371**	**677**	**751**
Disposals of intangible and tangible fixed assets		177	203	101
Disposals of participating interests		1,194	474	650
Net investment:	13	**(230)**	**(1,573)**	**(2,867)**
Net change in other long-term investments		(18)	(4)	(3)
Receivables on Saur disposal		(1,031)	-	-
Net change in liabilities relating to fixed assets		115	(91)	46
Impact from changes in scope of consolidation		(78)	15	24
NET CASH USED FOR INVESTING ACTIVITIES		(1,242)	(1,653)	(2,800)
C – FINANCING ACTIVITIES				
Decrease in shareholders' equity and other equity		(1,748)	(248)	(82)
Exceptional payout to be made in 2005		1 664		
Dividends paid during the year		(258)	(213)	(229)
Net change in financial liabilities		(464)	558	644
NET CASH FROM (USED FOR) FINANCING ACTIVITIES		(806)	97	333
D – NET IMPACT OF EXCHANGE RATE MOVEMENTS		(7)	(19)	(14)
CHANGE IN CASH AND EQUIVALENTS (A+B+C+D)		635	737	(330)
Cash and equivalents at 1 January[2]		2,374	1,624	1,957
Net flows during the year		635	737	(330)
Other non-cash movements[3]		(3)	13	(3)
CASH AND EQUIVALENTS AT 31 DECEMBER[2]		**3,006**	**2,374**	**1,624**

(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

Contents

Amounts expressed in millions of euros

Note 1: SIGNIFICANT EVENTS AT 31 DECEMBER 2004

1.1. Early redemption of the OCEANE convertible bond issue

In accordance with the issue contract, on 29 April 2004 Bouygues exercised its option to carry out early redemption of all OCEANE bonds (bonds convertible into new or existing shares) still in circulation. These bonds were issued in 1999, due to mature in 2006 and paid an interest rate of 1.70%.

- 1.3 million OCEANE bonds were tendered for conversion at a rate of 10.18 shares per bond, resulting in the creation of 13.5 million new shares with dividend rights from 1 January 2004.
- 0.3 million bonds were purchased by Bouygues for cancellation.
- Remaining shares not tendered (33,379 in total) were redeemed in cash on 29 April 2004 for a total amount of €8.8 million.

The increase in shareholders' equity resulting from this transaction was €348 million.

1.2. €1 billion bond issue

In October 2004, Bouygues issued €1 billion of bonds maturing 29 October 2014. The issue price was 99.05% of par and the interest rate was 4.375%. The proceeds will be used to finance maturing debt. This issue enabled Bouygues to extend the average maturity of its debt.

1.3. Cancellation of treasury stock

Bouygues bought 13.9 million of its own shares, in accordance with authorisations granted by shareholders in the general meetings of 25 April 2002, 24 April 2003 and 22 April 2004. These shares were cancelled, resulting in a €393 million charge to shareholders' equity, following a meeting of the Board of Directors on 15 June 2004

An additional net reduction of shareholders' equity of €16.6 million was decided in the Board of Directors' meeting of 14 December 2004, via a cancellation of treasury stock and exercise of options.

1.4. €1.7 billion exceptional payout

In the AGM of 7 October 2004, shareholders approved an exceptional payout of €5 per share or investment certificate, leading to a total payment of €1.7 billion.

This payout was made on 7 January 2005 to holders of shares or investment certificates on the register on 6 January 2005.

At 31 December 2004, this amount was taken from premiums and reserves and transferred to "other financial liabilities" on the balance sheet.

1.5. Consolidated scope of consolidation at 31 December 2004

At 31 December 2004, after the disposal of Saur (with the exception of some African and Italian subsidiaries retained by Bouygues), the number of companies within the scope of consolidation had increased by 19 since the start of the year, to a total of 926.

The main changes in 2004 were as follows.

1.5.1. Sale of Saur to PAI partners

In late 2004, Bouygues signed a sale agreement with the PAI partners investment fund, under which all shares in Saur were sold to Financière Gaillon for €1.031 billion. This transaction became final after approval from the competition authorities.

Bouygues' 15% interest in Financière Gaillon was accounted for under the equity method at 31 December 2004.

These transactions resulted in an after-tax capital gain of €188 million for Bouygues.

1.5.2. TF1

TF1 bought shares in several French and foreign companies, including a 29% stake in Prima TV and a 49% interest in Europa TV in Italy, for a total of €35 million.

Bouygues' share of these companies' net worth was revalued by €10 million and €21 million respectively, corresponding to goodwill on first consolidation. These amounts were transferred to "equity-method subsidiaries and affiliates".

1.5.3. Colas

Companies or economic-interest groupings involved in the production of asphalt mixes and binders are now consolidated if they meet the following criteria: they have sales of at least €2 million, they have operating income of at least €4 million or the value of their shares is at least €0.7 million.

Around 40 entities were affected by this change at 31 December 2004 in mainland France, without any material impact on the consolidated financial statements.

In 2004, Colas acquired various roadworks companies (works, asphalt mixes, materials etc.) for €94 million.

- France: Lazard quarries / Jouen / Pignato / Géode / own shares etc.
- Foreign: ADP Constanta (Romania) / Highway Resources (Singapore) etc.

These companies' assets and liabilities were revalued, and any residual goodwill on first consolidation was allocated to "Goodwill".

1.5.4. Bouygues Construction

The electricity division (ETDE) acquired various companies for €50 million (Mainguy, Capanord, Feroille etc.). €34 million of goodwill on first consolidation was recognised.

1.6. Accounting policies

1.6.1. TF1

TF1's broadcasting rights are now recorded under inventories (programmes and broadcasting rights) from the start of rights and technical acceptance.

All rights that do not meet the aforementioned conditions are recorded under "off-balance sheet commitments" (for the unpaid portion of rights) or "advances to suppliers" (for rights on which a payment on account has been made). This new presentation caused a €72 million reduction in assets and liabilities, and an increase in off-balance sheet commitments in the same amount.

TF1 sales (impact on the income statement presentation)

Expected returns of goods sold are now recorded as credit notes due to customers, which reduce sales, and credit notes due from suppliers, which reduce related expenses.

Repayments on some distribution contracts are deducted from sales so that only the economic advantage accruing to TF1 (i.e. the commission) is included in revenues.

This new presentation reduced sales by €88 million at 31 December 2004. The reduction affected only the presentation of income and expenses, and had no impact on operating income.

1.6.2. Bouygues Telecom: customer retention provisions

In accordance with the opinion of the CNC's Comité d'Urgence of 13/10/2004, Bouygues Telecom booked provisions to cover the value of loyalty points (which give reductions on new handsets in return for the signature of a new contract) accumulated by customers through consumption and length of relationship, based on estimated use of these points. The impact of this change in accounting policy at 1 January 2004 was a €88 million charge to shareholders' equity net of deferred tax.

1.7. Significant events occurring after 31 December 2004

None

Note 2: ACCOUNTING POLICIES

2.1

The Bouygues group's consolidated financial statements 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 appendix 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 financial statements are drawn up at 31 December on the basis of individual company financial statements at 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:

- The percentage of completion method of accounting for long-term contracts
- Recognition on the income statement of translation gains and losses on monetary assets and liabilities denominated in foreign currencies
- Amortisation of issuance expenses and redemption premiums on debt securities issued by the Group over their lives
- Recognition on the balance sheet of costs of pensions and other post-employment benefits (projected benefit obligation determined by the retrospective method, based on forecast retirement date and final salary)
- 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.

2.1.1. 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 the scope of consolidation

	2004	2003
Full consolidation	726	726
Proportional consolidation	169	146
Equity method	31	35
	926	**907**

Net changes in 2004 are analyzed in note 1, "Significant events in 2004"

Cofiroute and Financière Gaillon

Although Bouygues owns less than 20% of these companies (16.7% and 15% respectively), Cofiroute and Financière Gaillon are accounted for under the equity method, since the Group has significant influence through its presence on both companies' Boards of Directors.

2.1.2. 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-amortizable 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 business prospects and profitability of the business.

Negative goodwill is taken to the income statement over a period not exceeding five years.

The Group had not opted for early application of CRC Regulation 2002-10 on amortisation and write-down of assets at 1 January 2005. The valuation of goodwill and other intangible assets is monitored annually, and exceptional amortisation or provisions may be recorded if needed.

Tests of subsequent impairment are carried out at 31 December by comparing the aggregate value of all lots with the corresponding proportionate share of recoverable value.

2.1.3. 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 the end of the year for the balance sheet and the average exchange rate 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.

2.1.4. 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.

2.1.5. Deferred taxes

Deferred tax assets and liabilities are recognised for differences between 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. Taxes in France have been adjusted to take into account the impact of changes in tax legislation and new tax rates introduced in 2004 (normal and reduced rates).

Estimated unrecoverable distribution taxes on dividends to be paid in 2005 by foreign subsidiaries were provisioned at end-December 2004 (insignificant amount).

2.2 Accounting policies

2.2.1 Assets

Fixed assets

Fixed assets are valued at historical cost.

Intangible fixed assets

- *Preliminary expenses and research and development costs.*

These are expensed in full in the year in which they are 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 amortizable 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 and so forth.

  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.

  Impairment provisions are booked if needed.

- 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.

Tangible fixed assets

Tangible fixed assets are valued at acquisition cost.

- *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	Construction
Buildings not used in operations	-	20 years	10 to 40 years
Industrial buildings	20 years	-	depending on type
Industrial plant and equipment	5 to 10 years	3 to 7 years	3 to 10 years(1)
Other tangible fixed assets (vehicles, office equipment)	3 to 10 years	3 to 10 years	3 to 10 years(1)

(1) depending on the type of equipment

- *Quarries*

Quarries are depreciated according to the rate at which deposits are exhausted, over a period of not more than 40 years.

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 realizable value of inventories is less than 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 period 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

Other receivables, prepaid expenses and similar items

Other receivables

Other receivables are carried on the balance sheet at face value, less any impairment provisions deemed necessary to reflect the likelihood of recovery.

Prepaid expenses and similar items

This item includes:

- recoverable deferred tax assets (mainly Bouygues Telecom)

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

Consolidated shareholders' equity

Own shares held for purposes other than stabilisation of the share price or fulfillment of employee stock purchases or grants are considered treasury stock and booked as a deduction from shareholders' equity.

When Group subsidiaries hold their own shares, the Group's interest in these subsidiaries is increased.

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 the share of participating loans subscribed by minority shareholders of Bouygues Telecom.

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 customer retention programmes (Bouygues Telecom) / See note 1.
- 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 forecast retirement date and final salary. 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, including bonuses and benefits in kind, increased by a coefficient reflecting the current rate of employer social insurance contributions
  - final salary adjustment ratio (2.0% to 4.3% depending on occupation, including inflation)
  - annual discount rate for present value calculations (around 3.6%)
  - 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 insofar as such disclosure causes the Group no harm.

Advances and payments on account

This item includes advances and downpayments 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. They include the following, after elimination of intra-Group transactions:

- sales from fully consolidated companies
- the Group's share of the sales of companies consolidated proportionally, whether managed by the Group or not

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.

Provisions for terminal losses are booked on contracts likely to result in a final loss, under provisions for liabilities and charges. The loss is provisioned regardless of the stage of completion.

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 spending 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

Net financial items are 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 only used 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 and more generally management of exposure to exchange rate and interest rate risk.

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.

To streamline their management, 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 (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 again to streamline management, 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 recognised in the same manner as income and expenses relating to the items hedged.

2.2.5 Cash flow statement

The Group's net cash position, for which an analysis of charges 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 of contractual obligations and commercial commitments is set out in note 14.

2.3 Other information: comparability of financial statements

- The impact of changes in the scope of consolidation during 2004 is not such as to impair the comparability of the consolidated financial statements as presented.
- The accounting policies and valuation rules applied at 31 December 2004 are on the whole those applied during the previous year, except where specifically mentioned above. They do not preclude comparison of balance sheet, income statement or cash flow statement items from one year to the next.

Note 3: FIXED ASSETS 10,753

The breakdown of fixed assets by business segment is given in Note 13.

3.1. Consolidated capital expenditure

	2004	2003
Intangible fixed assets	168	176
Plant and equipment	1,095	957
Operating investments	**1,263**	**1,133**
Long-term investments:		
consolidated subsidiaries and affiliates and other long-term securities	338	1,117[1]
Consolidated capital expenditure	**1,601**	**2,250**
Disposals of fixed assets[2]	**(1,371)**	**(677)**
Net capital expenditure	230	1,573

(1) 12/2003: of which Bouygues Telecom acquisition: €944m (15.9%)

(2) 12/2004: of which Saur disposal: (€1,031m)
12/2003: of which South East Water Service disposal (UK water business): (€425m)

3.2. Movements in 2004

3.2.1 Intangible fixed assets 5,634

	01/01/04	Changes in Group structure and adjustments	Investments and other increases	Disposals and other reductions	Depreciation, amortisation and provisions	Transfers and other movements	31/12/04
Gross	7,573	(838)	170	(48)		(14)	6,843
Depreciation, amortisation and provisions	(1,164)	108		26	(177)	(2)	(1,209)
Net	**6,409**	**(730)**	**170**	**(22)**	**(177)**	**(16)**	**5,634**

Main items:

		Percentage interest 31/12/2004	31/12/2003
• Net valuation differences allocated to intangible elements of participating interests:			
Bouygues Telecom	2,378	83.05%	83.05%
TF1 and subsidiaries	1,290	41.50%	41.36%
Saur and subsidiaries[1]		0	100.00%
Colas and subsidiaries	623	96.27%	95.90%
Other	67		
	4,358		

(1) change in scope of consolidation after sale of Saur to PAI partners
The allocations above relate essentially to market shares of the entities acquired.

• Bouygues Telecom UMTS licence: 619

Other: network and other software: 657

Valuation differences

The valuation principles applied to intangible assets are described in note 2.1.2.

In particular, the main valuation differences booked to intangible assets form part of the re-estimated value of the various lots, which is determined at the time of acquisition (the “partial re-estimation” method).

Tests of value are performed on all lots of securities acquired, by comparing them with the corresponding proportionate share of recoverable value.

Upon each acquisition of a lot, the value of a 100% share of the intangible asset may differ if the enterprise value of the entity acquired has changed.

Balance sheet valuation differences are compared annually with:

- stock market value for TF1
- test valuations, which are carried out using the discounted future cash flow method. At end-2004, recoverable values were much higher than the book values on the balance sheet.

Consolidated cost basis of quoted TF1 and Colas shares

	Consolidated cost basis per share(1)	Average share price in December 2004(2)
TF1	€9.31	€23.5
Colas	€57.33	€113.1

(1) book value per share in consolidation

(2) average of share prices between 1 December and 31 December 2004

3.2.2. Goodwill 192

	01/01/04	Changes in Group structure and adjustments	Investments and other increases	Disposals and other reductions	Depreciation, amortisation and provisions	Transfers and other movements	31/12/04
Gross	786	(136)				(9)	641
Depreciation, amortisation and provisions	(522)	131			(58)		(449)
Net	**264**	**(5)**			**(58)**	**(9)**	**192(1)**

(1) of which acquisition goodwill on TF1 and subsidiaries: €108m / Colas and subsidiaries: €66m

3.2.3. Tangible fixed assets 4,205

	01/01/04	Changes in Group structure and adjustments	Investments and other increases	Disposals and other reductions	Depreciation, amortisation and provisions	Transfers and other movements	31/12/04
Land(1)	566	(38)	25	(46)		48	555
Buildings(1)	926	(140)	37	(15)		(1)	807
Industrial plant and equipment	6,238	(122)	631	(317)		23	6,453
Other tangible fixed assets	1,628	(195)	242	(112)		16	1,579
Tangible fixed assets under construction, advances and payments on account	123	(8)	160	(6)		(93)	176
Gross	**9,481**	**(503)**	**1,095**	**(496)**		**(7)**	**9,570**
Depreciation, amortisation and provisions	(4,949)	**216**		**372**	**(1,001)**	**(3)**	**(5,365)**
Net	**4,532**	**(287)**	**1,095**	**(124)**	**(1,001)**	**(10)**	**4,205(2)**

	2004 gross	2004 net	2003 gross	2003 net
(1) of which buildings held by Bouygues Immobilier	*51*	*40*	*119*	*95*

(2) of which net assets financed by finance leases (mainly land and buildings): 120

A breakdown of net intangible and tangible fixed assets and operating investments by business segment and geographic area is given in Note 13.

3.2.4. Long-term investments 722

	01/01/04	Changes in Group structure and adjustments	Investments and other increases	Disposals and other reductions	Depreciation, amortisation and provisions	Transfers and other movements	31/12/04
Non-consolidated subsidiaries and affiliates	278	(54)	51	(28)		(13)	234
Equity-method affiliates	472	(34)	54	(28)		10	474
Other long-term investments	186	(21)	36	(49)		(13)	139
Gross	**936**	**(109)**	**141**	**(105)**		**(16)**	**847**
Depreciation, amortisation and provisions	(158)	2			29	2	(125)
Net	**778**	**(107)**	**141**	**(105)**	**29**	**(14)**	**722**

(1) excluding consolidated securities (Note 3)

Non-consolidated subsidiaries and affiliates (net) 126

	12/2004				12/2003
Main holdings[1]	Gross	Provisions	Net	% interest	Net
French companies					
CATC	24	14	10	99.8%	10
Financière du point du jour	10	7	3	100.0%	3
Périphérique de Lyon	9	8	1	38.7%	1
Sylver	4		4	49.0%	
Geode	30		30	100.0%	
Colas paving and asphalt businesses	34	3	31		42
Other French subsidiaries and affiliates	26	12	14		32
Sub-total	**137**	**44**	**93**		**88**
Foreign companies					
Socoprim	14		14	66.3%	14
Shanghaï Fengxian[2]					9
Harbin JV[2]					6
VSL corporation	22	22		100.0%	
Ma-Chang (Corée du Sud)	6		6	44.0%	
CCIB	6	6		21.6%	
Other foreign subsidiaries and affiliates	49	36	13		28
Sub-total	**97**	**64**	**33**		**57**
Total	**234**	**108**	**126**		**145**

(1) non-consolidated participating interests not shown in this table have no significant net value

(2) deconsolidated from Saur's balance sheet after disposal on 31/12/04

Equity-method affiliates 474

Main equity-method companies / Movement during the year

Equity-method companies	At 01/01/04	Net movements 2004[1]	31/12/04	Group share in 2004 earnings
Bouygues SA				
Financière Gaillon		25	25	
Telecom-Media	1	44	45	(5)
Services				
Obras Sanit Mendoza (Argentina)[2]	2	(2)		(1)
Aguas de Valencia[2]	33	(33)		3
BRLE[2]	12	(12)		1
Other affiliates	7	(3)	4	
Construction				
Cofiroute	305	25	330	43
Tipco Asphalt (Thailand)	8	(1)	7	
Aka (Hungary)	54	(54)	0	
Other affiliates holding concessions	42	6	48	3
Other affiliates	8	7	15	(2)
Total	**472**	**2**	**474**	**42**

(1) including changes in Group structure, share in the year's earnings, acquisitions, currency translation adjustments, dividends distributed and capital increases.

(2) deconsolidated after the Saur disposal

Other long-term investments (net) 122

Main items:

• Advances to subsidiaries and affiliates	20		
• Capitalised loans and advances	43		122
• Other long-term investments:	59		
- Security deposits		40	
- Other long-term investment securities		19	

• Principal holdings included in "Other long-term investment securities" above:

• Bymages (Bouygues)	4
• Sundry investment funds	5
• Other - no item greater than €2 million	10
	19

Note 4: CURRENT ASSETS, PREPAID EXPENSES AND SIMILAR ITEMS

4.1. Inventories

	12/2004			12/2003
	Gross	Provisions	Net	Net
Inventories of raw materials, supplies, finished goods and unsold properties	1,310	(102)	1,208	1,181
Programmes and broadcasting rights (TF1)	659	(124)	535	693

4.2. Other receivables, prepaid expenses and similar items

	12/2004			12/2003
	Gross	Provisions	Net	Net
Trade receivables	**5,982**	**(323)**	**5,659**	**5,972**
Other operating receivables				
(government, local authorities, employees, social security and other)	965	(26)	939	1 086
Sundry receivables				
(tax credits, amounts due on fixed asset disposals, shareholders' advances and other receivables)	1,532	(123)	1,409(1)	423
Prepaid expenses and similar items(2)	**840**	**(103)**	**737**	**1,010**
Total	**3,337**	**(252)**	**3,085**	**2,519**

(1) of which €1,031 million on the sale of Saur to PAI partners

(2) Detail of line item:

Prepaid expenses and similar items (assets)	2004	2003
Prepaid expenses	148	255
Expenses to be amortised over several periods (net)	28	42
Deferred tax asset(1)	545	703
Other	16	10
Total	**737**	**1,010**

(1) see detail in Note 6

4.2. Short-term investment securities

The realisable value of short-term investment securities at 31 December 2004 was greater than the book value of €2,810 million.

The Group's short-term cash investments are placed with leading French and foreign banks.

Note 5 : SHAREHOLDERS' EQUITY AND OTHER EQUITY 5,087

5.1. Movements in shareholders' equity during the year to 31 December 2004: Group share and minority interests 4,947

Group share	Bouygues SA authorised share capital	Premiums	Consolidated reserves	Net earnings 2004	Other movements: Translation differences	Other movements: Securities of consolidating company	Other movements: Total other movements	Total Group share
At 31 december 2002	**344**	**3,928**	**275**	**666**	**20**	**(222)**	**(202)**	**5,011**
Movements								
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 methods			(8)					(8)
At 31 December 2003	**333**	**3,641**	**776**	**450**	**(69)**		**(69)**	**5,131**
Movements								
Capital of consolidated companies	14	342						356
Treasury stock	(14)	(400)						(414)
Appropriation of prior year earnings			450	(450)				
Net earnings 2004				858				858
Dividends		(1,664)(1)	(164)					(1,828)
Translation reserve					(26)		(26)	(26)
Changes in accounting methods			(94)(2)					(94)
At 31 December 2004	**333**	**1,919**	**968**	**858**	**(95)**		**(95)**	**3,983**
			3,745					

(1) exceptional payout of €5 per share to be made on 07/01/2005 (decision taken in the 07/10/04 AGM)

(2) - Bouygues Telecom: includes a (73) impact from a change in accounting method relating to customer retention provisions at 01/01/04 net of deferred tax
- taking into account long-service awards at 01/01/04

Minority interests	Share of equity	Share of earnings	Total minority interests
At 31 December 2002	**861**	**163**	**1,024**
Movements			
Capital increases	11		11
Translation reserve and changes in scope of consolidation	(225)		(225)
Appropriation of prior-year earnings 2002	71	(163)	(92)
Net earnings 2003		176	176
Changes in accounting methods			
Other movements			
At 31 December 2003	**718**	**176**	**894**
Mouvements			
Capital increases	5		5
Translation reserve and changes in scope of consolidation, changes in accounting methods and other	(42)(1)		(42)
Appropriation of prior-year earnings	82	(176)	(94)
Net earnings 2004		201	201
At 31 December 2004	**763**	**201**	**964**

(1) of which (36) change in scope resulting from sale of Saur shares

5.2. Other equity 140

	01/01/04	Movements	31/12/04
Bouygues Telecom participating securities	138	(27)(1)	111
Other	29		29
Total	**167**	**(27)**	**140**

(1) partial redemption of participating loans

5.3. Bouygues share capital €332,758,624

Bouygues' authorised share capital at 31 December 2004 comprised 332,254,414 shares and 504,210 investment certificates, making a total of 332,758,624 equity securities of par value €1 each.

5.4. Translation reserve (95)

Unrealised foreign exchange gains and losses at 31 December 2004 for foreign companies whose financial statements are expressed in:

- Hungarian forint: (21)
- US dollar: (56)

5.5. Stock options

Plan	Number outstanding at 31/12/04	Grant date	Vesting date - normal	Vesting date company saving plan	Strike price (€)
1999/04	1,902,678	20/04/1999	20/04/2004	-	21.59
1999/07	903,000	06/07/1999	06/07/2004	-	24.72
1999/11	271,570	04/11/1999	04/11/2004	-	29.64
2000/07	1,097,850	04/07/2000	04/07/2005	-	69.13
2001/03	1,866,150	27/03/2001	27/03/2005	-	39.40
2001/07	1,500,000	03/07/2001	03/07/2005	-	38.62
2001/09	500,000	18/09/2001	18/09/2005	-	33.75
2002/06	2,934,875	25/06/2002	25/06/2006	25/06/2003	27.56
2002/12	500,000	17/12/2002	17/12/2006	17/12/2003	27.08
2003/06	2,975,625	17/06/2003	17/06/2007	17/06/2004	22.80
2004/03	3,174,500	15/03/2004	15/03/2008	15/03/2005	29.61

The total number of options (5,537,292) that can be exercised consists of:

1) options available for exercise at 31/12/2004, either normally or early as part of the company savings plan (for awards as of June 2002).

2) options exercisable in economic terms at 31/12/2004, i.e. options with a strike price lower than the closing share price at 31/12/04 (€34).

5.6. Consolidated net earnings per share (undiluted and diluted)

5.6.1. Undiluted earnings per share: €2.57

Undiluted (basic) earnings per share are calculated as net earnings attributable to Group shareholders divided by the average number of shares outstanding in 2004, which was determined to be 333,600,848.

5.6.2. Diluted earnings per share: €2.53

Diluted earnings per share are calculated by adding the number of shares that would result from exercise of stock options to the denominator, raising it to 339,138,140.

Earnings per share figures are presented at the bottom of the consolidated income statement.

Note 6: PROVISIONS FOR LIABILITIES AND CHARGES 1,866

6.1. Detail of provisions by type

	01/01/04	Changes in accounting methods, scope of consolidation and translation adjustment	Transfers between line items	Charges of the year	Written back during the year		31/12/04
					Utilised	Not utilised	
Liabilities							
Customer warranties (after-sales service)	220	(1)	1	98	(68)	(10)	240
Litigation, disputes and contract claims[1]	266	(18)	1	92	(53)	(46)	242
Completed contracts	85	(2)	(26)	32	(14)	(10)	65
Risks on long-term investments	31	(5)	2	66	(20)	(5)	69
Sundry penalties and other liabilities[2]	320	(22)	20	82	(70)	(27)	303
Sub-total liabilities	**922**	**(48)**	**(2)**	**370**	**(225)**	**(98)**	**919**
Charges							
Renewal of plant and equipment (Saur)	219	(212)	6	24	(23)	0	14[3]
Major repairs	9	0	0	6	(3)	0	12
Deferred tax liability	111	5	(9)	58	(16)	0	149
Final contract settlement / site clean-up costs	167	(26)	0	56	(42)	(5)	150
Losses to completion on contracts[4]	106	0	0	57	(42)	(13)	108
Retirement benefits	215	(30)	(9)	39	(5)	(3)	207
Long-service awards and other staff benefits	52	22	2	5	(1)	0	80
Bouygues Telecom customer retention plan	0	136[5]	0	11	0	0	147
Other charges	95	(27)	4	67	(54)	(5)	80
Sub-total charges	**974**	**(132)**	**(6)**	**323**	**(186)**	**(26)**	**947**
Total	**1,896**	**(180)[7]**	**(8)**	**693**	**(411)**	**(124)[8]**	**1,866[6]**
Of which write-backs not utilised:							
- Operating items	(88)					(111)	
- Net financial items	(1)						
- Net exceptional items	(18)					(13)	

(1) of which provisions for customer litigation €103m; other staff litigation €14m; claims by sub-contractors €22m; other litigation €103m

(2) provisions for "sundry penalties and other liabilities" comprise mainly:

- risks inherent in international projects and subsidiaries (customers, foreign exchange, other)	*45*
- risks associated with various administrative controls	*76*
- technical risks on work sites and reinsurance	*182*
	303

(3) retained Saur African and Italian subsidiaries

(4) includes €50 million for Bouygues Construction. The breakdown of provisions by project is not given due to the confidential and harmful nature of this information.

(5) Bouygues Telecom: change in accounting methods, constitution of a customer retention provision

(6) a breakdown of provisions for liabilities and charges by business segment is provided in Note 13.

(7) of which change in scope of consolidation resulting from Saur disposal: (€366m)

(8) write-backs not utilised: taken individually, write-backs not utilised are not significant in amount.

6.2. Breakdown of net deferred tax assets or liabilities by business segment and origin

Segment	Net deferred tax asset/ liability 01/2004	Change in scope of consolidation	Change in exchange rates	Movements in 2004 Income	Movements in 2004 Expense	Other	Net deferred tax asset/ liability 12/2004
A - Tax losses							
Telecoms	536				(204)		332
Services (Saur)	12	(5)			(7)		0
Construction	2	(1)		5			6
Bouygues SA and other							0
Sub-total	**550**	**(6)**	**0**	**5**	**(211)**	**0**	**338**
B - Temporary differences[1]							
Telecoms	37			10		48	95
Media	(16)			12			(4)
Services (Saur)	12	(1)			(6)	(5)	0
Construction	(16)	(7)	1	15		24	17
Bouygues SA and other	25				(64)	(11)	(50)
Sub-total	**42**	**(8)**	**1**	**37**	**(70)**	**56**	**58**
Total	**592**	**(14)**	**1**	**42**	**(281)**	**56**	**396[2]**

(1) arising from tax timing differences and consolidation restatements

(2) of which deferred tax asset: 545[3]
deferred tax liability: (149)
396

(3) deferred tax assets include:
- *Bouygues Telecom: €427m, mainly on tax loss carryforwards (due essentially 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 a (194) write-back from net deferred tax assets in 2004)*
- *Bouygues SA: €57m arising from tax consolidation (temporary timing differences)*

6.3. Breakdown of deferred tax assets by recovery period

• less than 2 years	469
• 3 to 5 years	76
• Total	545

6.4. 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.

6.5. Deferred tax assets not booked

Deferred tax assets not recognised on the balance sheet because recovery is deemed unlikely: €212m, of which €103m originates in the construction activity (from tax losses and temporary timing differences in consolidation

Note 7: FINANCIAL LIABILITIES 4,686

7.1. Financial liabilities by maturity

	Up to 1 year 2005	1 to 2 years 2006	2 to 3 years 2007	3 to 4 years 2008	4 to 5 years 2009	5 to 6 years 2010	6 years and up 2011 +	Total 12/04
Bond issues	93	500			1,000	500	1,750	3,843
Bank loans	112	533	13	25	15	22	52	772
Other financial liabilities	36	10	11	2	4	4	4	71
Total	**241**	**1,043**	**24**	**27**	**1,019**	**526**	**1,806**	**4,686**(1)
Situation at 31/12/2003	1,178	640	977	18	14	1,012	1,321	5,160

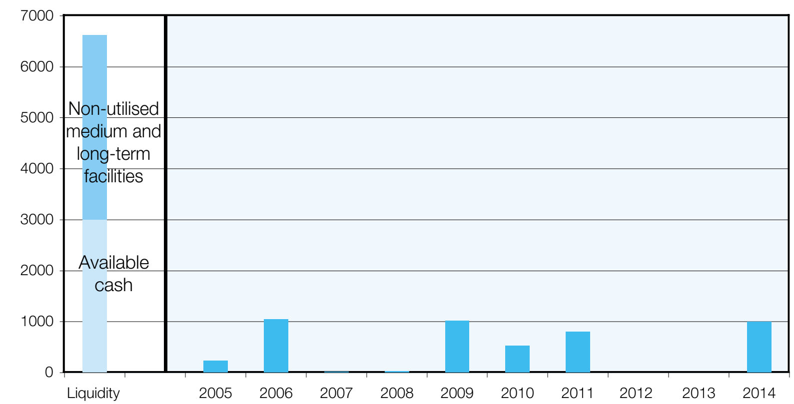
(1) includes liabilities relating to capitalised lease obligations: €81m

7.2. Lines of credit authorised/utilised

	Lines authorised				Lines utilised			
	Less than 1 year	1 to 5 years	More than 5 years	**Total**	Les than 1 year	1 to 5 years	More than 5 years	**Total**
Bond issues (primarily Bouygues SA)	93	1,500	2,250	**3,843**	93	1,500	2,250	**3,843**
Other bank loans	272	3,931	188	**4,391**	112	586	74	**772**
Sundry financial liabilities	36	27	8	**71**	36	27	8	**71**
Total	**401**	**5,458**	**2,446**	**8,305**	**241**	**2,113**	**2,332**	**4,686**

7.3. Liquidity at 31 December 2004

At 31 December 2004, the Group had €3,006 million of available cash and €3,619 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.

7.4. Financial liabilities by type of interest rate

Breakdown of financial liabilities on a gross basis, including all outstanding interest rate hedges at year-end:

	12/2004	12/2003
Fixed rate(1)	71%	74%
Floating rate	29%	26%

(1) fixed-rate debt due in more than one year

7.5. Interest-rate risk

At 31 December 2004, the breakdown of financial assets and liabilities by type of interest rate was as follows:

	Floating rate	Fixed rate	Total
Financial liabilities	936	3,750	4,686
Financial assets	3,006		3,006
Net position before risk management	(2,070)	3,750	1,680
Correction for cyclicality of certain business activities	415	(415)	-
Net position after risk management	(1,655)	3,335	1,680
Correction for cyclicality of certain business activities	300		
Net position after hedging and correction	(1,355)		

An instantaneous rise of 1 percentage point in short-term interest rates would reduce the Group's financial charges by €13.6 million on a full-year basis.

7.6. Financial liabilities by currency

	Euro	Pound Sterling	US Dollar	CFA Franc	Other	Total
2004	4,532	13	20	95	26	**4,686**
2003	5,038	1	49	57	15	**5,160**

A breakdown of financial liabilities by business segment is provided in Note 13.

7.7. Security interests granted as collateral for financial liabilities

	Total 12/2004	Telecom	Media	Services	Construction	Bouygues SA and other activities	Maturity: Less than 1 year	Maturity: 1 to 5 years	Maturity: More than 5 years	Total 12/2003
Mortgages of land and buildings, pledges of equipment										
Pledges of securities and subordinated loans(1)	**18**				18				18	1,034
Total security interests	**18**				**18**				**18**	**1,034**

(1) Bouygues Telecom: pledge of €1,016m at 31/12/03 cancelled following full repayment of the syndicated loan (April 2004)

See also Note 14 on off-balance sheet commitments

Note 8: OTHER NON-FINANCIAL LIABILITIES AND ACCRUED INCOME

	2004	2003
Trade payables	5,207	5,345
Tax and employee-related liabilities	1,907	1,896
Sundry liabilities:		
Income tax payable, amounts payable to suppliers of fixed assets, advances from subsidiaries, non-consolidated affiliates and other partners	3,228	1,870
Prepaid income and similar(1)	2,154	1,892
Total	**12,496**	**11,003**
(1) of which prepaid income	*2,154*	*1,891*

Note 9 : NET FINANCIAL ITEMS

	2004	2003
Income from non-consolidated affiliates (paving materials companies and others)	8	16
Net interest and similar expenses and expense transfers including €(8) million of commissions and lease prepayments (mainly relating to Bouygues Immobilier)	(215)	(270)
Net foreign exchange gains or losses	23	7
Net charge to or write-back of provisions against financial items	(15)	(3)
Net gain or loss on disposals of short-term investment securities and income from other marketable securities and long-term loans	50	34
Write-off of shareholder advances to non-consolidated affiliates, equity method companies and others	(16)	(3)
Net financial items	**(165)**	**(219)**

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 2004 for each type of instrument used, broken down by residual maturity for interest rate hedges and by currency for exchange rate hedges.

10.1. Consolidated companies

10.1.1. Interest rate hedges

Breakdown by maturity

	Outstanding at 31/12/04				Outstanding at
Maturity	2005	2006 to 2009	Beyond	Total	31/12/2003
Interest rate swaps					
on financial assets	639	-	-	639(1)	917
on financial liabilities	856	276	309	1,441(2)	2,732
Forward Rate Agreements					
on financial assets	-	-	-	-	-
on financial liabilities	-	-	-	-	50
Caps/floors					
on financial assets	-	-	-	-	-
on financial liabilities	341	67	2	410	413

(1) of which paying fixed rate: €439m

(2) of which paying fixed rate: €941m

Breakdown by business segment

	Telecom	Media	Construction	Bouygues SA and other	Total 12/2004	Total 12/2003
Interest rate swaps						
on financial assets	-	-	200	439	639	917
on financial liabilities	670	538	33	200	1 441	2 732
Forward Rate Agreements						
on financial assets	-	-	-	-	-	-
on financial liabilities	-	-	-	-	-	50
Caps/floors						
on financial assets	-	-	-	-	-	-
on financial liabilities	200	140	70	-	410	413

For renewable interest rate hedges, amounts are shown in the column corresponding to the farthest maturity.

10.1.2. Exchange rate hedges

Breakdown by currency

	Outstanding at 31 December 2004 (equivalent in € million)						Outstanding at
Currency	USD	GBP	CHF	HKD	Other	Total	31/12/2003
Forward purchases and sales							
Forward purchases	59	13	1	3	72	148	116
Forward sales	123	29	14	15	43	224	212
Currency swaps	**27**	**78**	**53**	**42**	**20**	**220**	**293**
Currency options	21	1	-	-	-	22	42

Breakdown by business segment

	Telecom	Media	Construction	Bouygues SA and other	Total 12/2004	Total 12/2003
Forward purchases and sales						
Forward purchases	-	47	97	4	148	116
Forward sales	-	18	196	10	224	212
Currency swaps	**-**	**-**	**38**	**182**	**220**	**293**
Currency options	-	12	10	-	22	42

10.2. 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 2004, the market value (net present value) of the portfolio of hedging instruments was €18 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.

This market value breaks down by the type of hedge as follows:

- Transactions forming part of a fair value hedge: €15 million
- Transactions forming part of a cash flow hedge: €3 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 €9 million (€27 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 €14 million.

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

Note 11: EXCEPTIONAL ITEMS

					2004	2003
Net gains on disposals of fixed assets						
Sundry disposals net of write-backs					323(1)	64
Net additions to exceptional provisions					**(37)(1)**	**(61)**
	Charges		Write-backs			
	2004	**2003**	**2004**	**2003**		
Additional provisions on acquisition goodwill and other intangibles		(18)				
Other exceptional provisions and sundry items	(109)	(115)	72	72		
	(109)	**(133)**	**72**	**72**		
Net exceptional income or expense on management operations						
Exceptional income from recovery of bad debts, insurance claims paid and sundry					8	20
Exceptional charges for litigation, taxes and duties, uninsured losses, fines, bad debts and restructuring					(79)	(39)
Sundry exceptional items					**(6)**	**2**
Net exceptional items					**209**	**(14)**

(1) includes a €188 million net gain on the sale of an 85% stake in Saur

The breakdown of exceptional items by business segment is given in Note 13.

Note 12: INCOME TAX

12.1. Breakdown of net tax charge

	2004			2003
	France	Other countries	Total	Total
Tax payable	(256)	(65)	(321)	(223)
Net deferred tax liability	12	(3)	9	11
Net deferred tax asset	(201)	1	(200)	(164)
Tax on dividend distributions	(5)	(2)	(7)	(4)
Total	**(450)(1)**	**(69)**	**(519)**	**(380)**
of which Bouygues Telecom deferred tax asset (write-back)			(194)	(166)

(1) The Saur disposal gain is taxable in 2005, and a €49 million provision has been booked in 2004 under exceptional items. As a result, it is not included in the "income tax" line item.

The breakdown of income tax by business segment is given in Note 13.

12.2. 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.

	2004	2003
Statutory tax rate in France	35.43%	35.43%
Creation/utilisation of loss carryforwards	1.35%	3.31%
Effect of permanent differences	0.60%	(1.45%)
Tax rate difference on Saur disposal (long-term income tax rate: 15.72%)(1)	(3.75%)	
Taxes other than on income: lump-sum taxes. taxes on distributions, tax consolidation, differences in tax rates: long-term capital gains, foreign taxes, exit tax (2.5%) on the special reserve for long-term capital gains	1.24%	0.49%
Effective tax rate	**34.87%(2)**	**37.78%**

(1) Saur disposal: exceptional provision booked (see above) but taken into account in the reconciliation between pre-tax earnings in the accounts and the tax amount on the income statement

(2) including exceptional tax resulting from the Saur disposal

Note 13: INFORMATION BY BUSINESS SEGMENT

13.1. Breakdown of consolidated sales by business segment and geographical area

Sales from production of fully consolidated companies include book revenue from contracts and sales of goods and services.

13.1.1. Segment

	2004				2003	
	France	International	Total	%	Total	%
Telecom	3,658	0	3,658	16	3,271	15
Media	2,547	270	2,817	12	2,727	13
Services(1) (3)	1,795	658	2,453	10	2,448	11
Construction	9,028	5,430	14,458	62	13,358	61
Other(2)	4	12	16		18	
Consolidated sales	**17,032**	**6,370**	**23,402**	**100**	**21,822**	**100**
	73%	**27%**			of which €6,110 million international	
% change 2003/2004	**8.4%**	**4.3%**	**7.2%**			

(1) of which tax surcharges and user fees billed for local authorities (Saur) — *885* (2004) — *859* (2003)

(2) Bouygues SA + other subsidiaries

(3) Saur's sales include the sales of African and Italian subsidiaries sold to Bouygues in December 2004

13.1.2. Geographical area

	2004 sales		2003 sales	
	Total	%	Total	%
France	17,032	72.7	15,712	72.0
Western Europe	2,022	8.6	2,167	9.9
Eastern Europe	948	4.1	653	3.0
Africa	1,255	5.4	1,214	5.6
Middle East	26	0.1	25	0.1
USA / Canada	1,499	6.4	1,476	6.8
Central and South America	108	0.5	150	0.7
Asia-Pacific	512	2.2	425	1.9
Total	**23,402**	**100.0**	**21,822**	**100.0**

13.1.3. Percentage breakdown of consolidated sales by type of contract, France vs. International

	2004			2003		
	France	International	Combined	France	International	Combined
Public sector(4)	29	47	34	28	44	33
Private sector	71	53	66	72	56	67

(4) sales invoiced directly to government agencies and local authorities (mainly construction and maintenance contracts) in France and elsewhere.

13.2. Breakdown of net intangible and tangible fixed assets by business segment and geographical area

	Telecom	Media	Services[2]	Construction	Bouygues SA and other[1]	Total 12/2004	Total 12/2003
France and overseas departments	5,493	1,565		1,588	56	8,702	9,752
Other Europe				313	34[2]	347	343
Africa				140	259[2]	399	437
Asia-Pacific				33		33	38
Americas				358		358	371
Total 2004	**5,493**	**1,565**		**2,432**	**349**	**9,839**	
% of total 2004	55.8%	15.9%		24.7%	3.6%	100.0%	
Total 2003	**5,559**	**1,591**	**1,377**	**2,331**	**83**		**10,941**
% of total 2003	50.8%	14.5%	12.6%	21.3%	0.8%		100.0%

(1) other activities: various subsidiaries of Bouygues SA, along with Finagestion (African and Italian subsidiaries) - (2) deconsolidated from Saur's balance sheet after disposal (African and Italian subsidiaries retained)

13.3. Other information by business segment

	Telecom	Media	Services[2]	Construction	Bouygues SA and other[1]	Total 12/2004	Total 12/2003
Balance sheet							
Fixed assets (net)	5,506	1,729	0	3,097	421	10,753	11,983
Provisions for liabilities and charges	175	111	0	1,299	281	1,866	1,896
Financial liabilities	597	548	0	289	3,252	4,686	5,160
Net debt[a]	582	404	0	(2,259)	2,953	1,680	2,786
(a) Figures in parentheses indicate positive cash position..							
Income statement							
Operating income[3]	550	398	75	535	(11)	1,547	1,238
Operating depreciation and amortisation	592	100	93	387	8	1,180	1,176
Operating provisions	132	97	110	471	18	828	881
Net financial items	(70)	(19)	(1)	44	(119)	(165)	(219)
Earnings before tax and exceptional items	480	379	74	579	(130)	1,382	1,019
Net exceptional items	34	(1)	(48)	47	177	209	(14)
Share in earnings of equity affiliates	0	(5)	3	48	(4)	42	43
Income tax[4]	(192)	(136)	(18)	(198)	25	(519)	(380)
Cash flow statement							
Operating cash flow	1,111	305	102	839	(90)	2,267	2,073
Working capital requirement	(21)	(15)	108	315	36	423	239
Operating investments (net)[5]	515	76	47	419	29	1,086	930
Financial investments (net)[5]	0	55	(28)	73	(956)	(856)	643
Ebitda[6]	1,153	494	134	913	36	**2,730**	2,415
Free cash flow[7]	602	218	165	776	(81)	**1,680**	1,363

(1) deconsolidated from Saur's balance sheet after disposal at 31/12/04 (consolidation of income statement and cash flow statement businesses over 12 months in 2004)

(2) other activities: financial subsidiaries + Finagestion and its African and Italian subsidiaries

(3) an itemised breakdown of operating results is given in section 13.4 below

(4) net current and deferred tax expense

(5) by business segment in which investments originated

(6) earnings before interest, tax, depreciation, amortisation and provisions on tangible and intangible assets

(7) operating cash flow plus working capital requirement less net operating investments

13.4. 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	Services	Construction	Bouygues SA and other	Total 12/2004	Total 12/2003
Consolidated sales	**3,658**	**2,817**	**1,905[1]**	**14,458**	**564**	**23,402**	**21,822**
Cost of sales	(2,366)	(2,004)	(1,585)	(12,497)	(446)	(18,898)	(17,771)
Gross profit	1,292	813	320	1,961	118	4,504	4,051
	35.3%	28.9%	16.8%	13.6%		19.2%	18.6%
Research and development costs	(26)	(20)	(6)	(36)	(1)	(89)	(85)
Sales expenses	(257)	(186)	(26)	(335)	(5)	(809)	(677)
Administrative expenses	(459)	(209)	(213)	(1,055)	(123)	(2,059)	(2,051)
Operating income	**550**	**398**	**75**	**535**	**(11)**	**1,547**	**1,238**
						6.6%	5.7%
Net financial items		See breakdown in section 13.3				(165)	(219)
Earnings before tax and exceptional items		**See breakdown in section 13.3**				**1,382**	**1,019**

(1) sales of the African and Italian subsidiaries (€548 million) reallocated to Bouygues SA and other subsidiaries.

Comments: gross profit of €4,504 million represents 19.2% of consolidated sales.

Research and development costs: 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.

Note 14: OFF-BALANCE SHEET COMMITMENTS

14.1. Reciprocal commitments

	Total 12/2004	Telecom	Media	Construction	Bouygues SA and other	Maturity				Total 12/2003
						Less than 1 year	1 to 5 years	More than 5 years	Total	
Commitments given	**3,435**	**908**	**2,018**	**484**	**25**	**1,243**	**1,718**	**474**	**3,435**	**2,781**
TF1 (broadcasting and retransmission rights)	1,966		1,966			774	1,058	134	1,966	1,507
Broadcasting and retransmission rights for sporting events	494[a]		494			191	286	17	494	427
Broadcasting and retransmission rights for films and programmes[1]	1,025[a]		1,025			502	470	53	1,025	849
Image transport	447		447			81	302	64	447	231
Finance leases[2]	60			60		31	28	1	60	161
Simple leases[3]	1,051	891[4]	52	108		183	529	339	1,051	843
Irrevocable purchase obligations	358	17		316[5]	25	255	103		358	270
Commitments received	**3,435**	**908**	**2,018**	**484**	**25**	**1,243**	**1,718**	**474**	**3,435**	**2,781**
TF1 (broadcasting and retransmission rights)	1,966		1,966			774	1,058	134	1,966	1,507
Broadcasting and retransmission rights for sporting events	494[a]		494			191	286	17	494	427
Broadcasting and retransmission rights for films and programmes[1]	1,025[a]		1,025			502	470	53	1,025	849
Image transport	447		447			81	302	64	447	231
Finance leases[2]	60			60		31	28	1	60	161
Simple leases[3]	1,051	891[4]	52	108		183	529	339	1,051	843
Irrevocable purchase obligations	358	17		316[5]	25	255	103		358	270
Balance										

(a) includes €55.4m in CHF, €173.1m in USD and €101.3m in GBP.

(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 up to the normal contract renewal date (or the earliest possible termination date) on simple leases taken out 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 €655m, of which €121m for property leases and €115m for other leases).

(5) Bouygues Immobilier: firm commitments of €243m under conditions relating to acquisition of packages of land.

14.2. Sundry commitments

	Total 12/2004	Telecom	Media	Construction	Bouygues SA and other	Maturity: Less than 1 year	Maturity: 1 to 5 years	Maturity: More than 5 years	Maturity: Total	Total 12/2003
Commitments given	**671**	**179**	**135**	**301**	**56**	**142**	**363**	**166**	**671**	**486**
Other contractual obligations or commercial commitments given (pledges, guarantees etc.)(1)	671	179	135	301	56	142	363	166	671	486
Commitments received	**70**	**11**	**47**	**5**	**7**	**63**	**6**	**1**	**70**	**188**
Other contractual obligations or commercial commitments received (pledges, guarantees etc.)	70	11	47	5	7	63	6	1	70	188
Balance	**601**	**168**	**88**	**296**	**49**	**79**	**357**	**165**	**601**	**298**

(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.

14.3. Other commitments

	Total Group 12/2004	Telecom	Media	Construction	Bouygues SA and other	Maturity: Less than 1 year	Maturity: 1 to 5 years	Maturity: More than 5 years	Maturity: Total	Total 12/2003
Commitments given										**46**
Securitisation: subordinated deposits	In 2004, no Bouygues Telecom receivables were securitised.									46
UMTS Licence	The granting of a UMTS licence to Bouygues Telecom depends on Bouygues Telecom complying with certain obligations, particularly concerning the pace of the roll-out, geographical coverage and the start of commercial operations. In January 2005, Bouygues Telecom sent a report to the French telecoms regulator ART to present its progress in rolling out broadband technology.									
Blind spots	In 2002, Bouygues Telecom and France's two other mobile operators made a commitment to covering a certain number of blind spots. This commitment resulted in the signature of an agreement in 2003 and an amendment of this agreement in 2004. The three companies are obliged to cover 2,100 towns, i.e. 2.250 sites.									
Litigations	Bouygues Telecom has initiated an action being considered by the French competition authority (Conseil de la Concurrence) concerning the state of competition in France.									

	Total Group 12/2004	Telecom	Media	Construction	Bouygues SA and other	Maturity: Less than 1 year	Maturity: 1 to 5 years	Maturity: More than 5 years	Maturity: Total	Total 12/2003
Total commitments given	**4,106**	**1,087**	**2,153**	**785**	**81**	**1,385**	**2,081**	**640**	**4,106**	**3,313**
Total commitments received	**3,505**	**919**	**2,065**	**489**	**32**	**1,306**	**1,724**	**475**	**3,505**	**2,969**

The €793 million increase in commitments given in 2004 resulted mainly from €459 million of reciprocal commitments (TF1).

The €536 million increase in commitments received in 2004 resulted mainly from €459 million of reciprocal commitments (TF1).

The above presentation of commitments omits no significant off-balance sheet commitments, in line with current accounting standards.

Note 15: CHANGE IN NET DEBT

15.1. Change in net debt

	12/2003	Flow of funds during 2004	12/2004
Cash and equivalents	2,616	640	3,256
Bank overdrafts	(242)	(8)	(250)
Sub-total	**2,374**	**632[(1)]**	**3,006**
Financial liabilities	(5,160)	474	(4,686)
Net debt	(2,786)	1,106	(1,680)

(1) cash flow from 2004 cash flow statement (net cash flow + non-monetary items).

15.2. Main transactions affecting net debt during 2004

Net debt at 31 December 2003	**(2,786)**
Change in scope of consolidation (disposal of Saur)	(124)
Acquisition of Bouygues shares for cancellation[(2)]	(471)
Conversion of OCEANE bonds	418
Ordinary dividend paid by Bouygues and TF1 (to third parties)	(249)
Redemption of Bouygues Telecom participating loans (payments to third parties)	(31)
Saur dividends received in 2004	293
Other acquisitions and disposals	(156)
Operating cash flow and other	1,426
Net debt at 31 December 2004	**(1,680)**

(2) as part of the conversion of OCEANE bonds

Note 16: STAFFING AND REMUNERATION OF SENIOR EXECUTIVES AND DIRECTORS

Average number of employees during the year

	2004	2003
Managerial	17,111	16,397
Supervisory, technical and clerical	23,582	23,071
Site workers	28,290	27,266
Sub-total France	**68,983**	**66,734**
Expatriates and local labour	59,794	61,189
Total	**128,777[(1)]**	**127,923**

(1) of which Saur (including African and Italian subsidiaries): average number of employees of 21,305 included at 31/12/2004

Senior executives (Chairman and CEO and three deputy CEOs) received a total of €9,286,926 million in direct and indirect emoluments of all kinds from French and foreign companies, including €3,998,896 million in base pay, €5,014,000 million in bonuses paid in early 2005 on the basis of performance in 2004 and €274,030 million in directors' fees.

Attendance fees paid to voting and non-voting directors amounted to: €667,165.

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 2004 consolidated income statement.

Assignments In thousand of euros	Mazars & Guérard network 2004	%	2003	Ernst & Young network 2004	%	2003	Other networks[1] 2004	%	2003	Total Fee 2004	Fee 2003
A - Audit											
Statutory audit											
Certification and examination of individual company and consolidated accounts	4,327	94	3,391	2,900	92	1,560	7,403	95	6,620	14,630	11,571
Ancillary tasks	37	1	300	0	0	148	75	1	225	112	673
Sub-total	**4,364**	**95**	**3,691**	**2,900**	**92**	**1,708**	**7,478**	**96**	**6,845**	**14,742**	**12,244**
B - Other services											
Legal, tax, corporate	64	1	75	148	5	4	185	2	259	397	338
Information technology	0	-	-	0	-	4	11	-	104	11	108
Internal audit	76	1	13	0	-	-	0	0	10	76	23
Other	113	3	143	93	3	575	96	2	246	302	964
Sub-total	**253**	**5**	**231**	**241**	**8**	**583**	**292**	**4**	**619**	**786**	**1,433**
Total Fees	4,617	100	3,922	3,141	100	2,291	7,770	100	7,464	15,528	13,677

(1) 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 31/12/2004

Company	Location	Country	% interest 2004	% interest 2003	% direct and indirect control[1] 2004	% direct and indirect control[1] 2003
A - TELECOM - MEDIA						
1. Telecommunications - Bouygues Telecom group						
Full consolidation						
Bouygues Telecom and subsidiaries	Boulogne-Billancourt	France	83.05	83.05		
2. Communication - TF1 group						
Full consolidation						
Télévision Française 1 SA	Boulogne-Billancourt	France	41.50	41.36		
Ciby Droits Audiovisuels SA	Boulogne-Billancourt	France	41.50	41.36	100.00	100.00
La Chaîne Info (LCI) SCS	Boulogne-Billancourt	France	41.50	41.36	100.00	100.00
Les Films Ariane SA	Boulogne-Billancourt	France	Merged	41.36		100.00
Protécrea SA	Boulogne-Billancourt	France	Merged	41.36		100.00
Téléshopping SA	Boulogne-Billancourt	France	41.50	41.36	100.00	100.00
TF1 International SA	Boulogne-Billancourt	France	41.50	41.36	100.00	100.00
TF1 Publicité SA	Boulogne-Billancourt	France	41.50	41.36	100.00	100.00
TF1 Vidéo SA	Boulogne-Billancourt	France	41.50	41.36	100.00	100.00
Une Musique SA	Boulogne-Billancourt	France	41.50	41.36	100.00	100.00
e-TF1	Boulogne-Billancourt	France	41.50	41.36	100.00	100.00
Eurosport and subsidiaries	Boulogne-Billancourt	France	41.50	41.36	100.00	100.00
Proportional consolidation						
Télévision Par Satellite (TPS) SNC	Issy-les-Moulineaux	France	27.39	27.30	66.00	66.00
Equity method						
Publications Metro France	Paris	France	14.23	14.19	34.30	34.30

(1) if % control is different from % interest

Company	Location	Country	% interest 2004	% interest 2003	% direct and indirect control[1] 2004	% direct and indirect control[1] 2003
B - SERVICES						
1. Utilities management - Saur group						
Full consolidation						
Saur SA	Saint-Quentin-en-Yvelines	France	Sold	100.00		
Saur International SA	Saint-Quentin-en-Yvelines	France	Sold	100.00		
Saur France SA (ex. Cise SNC)	Saint-Quentin-en-Yvelines	France	Sold	100.00		
Cise Réunion SA	Saint-Denis-de-la-Réunion	France	Sold	99.94		
Coved SA	Guyancourt	France	Sold	100.00		
Stereau SA	Louveciennes	France	Sold	99.99		
Compagnie Ivoirienne d'Electricité	Abidjan	Ivory Coast	See Finagestion	70.46		
Gestagua	Madrid	Spain	Sold	100.00		
Saur Energie Côte d'Ivoire and subsidiaries	Abidjan	Ivory Coast	Sold	99.70		
Saur UK LTD and subsidiaries	Camberley	UK	Sold	100.00		
Sénégalaise des Eaux	Dakar	Senegal	See Finagestion	62.83		
Saur Neptun Gdansk	Gdansk	Poland	Sold	51.00		
Sodeci	Abidjan	Ivory Coast	See Finagestion	48.87		
Crea	Milan	Italy	See Finagestion	100.00		
Proportional consolidation						
Energie du Mali	Bamako	Mali	See Finagestion	39.00		
Equity method						
Obras Sanitarias de Mendoza	Mendoza	Argentina	Sold	32.08		

Company	Location	Country	% interest 2004	% interest 2003	% direct and indirect control[(1)] 2004	% direct and indirect control[(1)] 2003
C - CONSTRUCTION						
1. Construction - Bouygues Construction group						
Full consolidation						
Bouygues Construction SA	Saint-Quentin-en-Yvelines	France	99.97	99.96		
Bouygues Bâtiment Ile-de-France						
Bouygues Bâtiment Ile-de-France SA	Saint-Quentin-en-Yvelines	France	99.97	99.96		
Bâtiment France subsidiaries						
Bati Renov SA	Orly	France	99.88	99.87		
Brézillon SA	Noyon	France	99.33	98.96		
Sodéarif SA	Saint-Quentin-en-Yvelines	France	99.96	99.95		
Bouygues Bâtiment International						
Bouygues Bâtiment International SA	Saint-Quentin-en-Yvelines	France	99.97	99.96		
Bâtiment International subsidiaries						
Bouygues Hungaria	Budapest	Hungary	99.97	99.96		
Bouygues Polska	Warsaw	Poland	99.97	99.96		
Bouygues Thai LTD	Bangkok	Thailand	48.98	48.97		
Bymaro	Casablanca	Morocco	99.95	99.94		
DTP Singapour PTE LTD	Singapore	Singapore	99.97	99.96		
Entreprises France Europe subsidiaries						
DV Construction SA	Bordeaux	France	99.97	99.96		
GTB Bouyer Duchemin SA	Nantes	France	99.97	99.96		
GFC Construction SA	Bron	France	99.97	99.96		
Norpac SA	Villeneuve-d'Ascq	France	99.97	99.96		
Pertuy Construction SA	Maxeville	France	99.97	99.96		
Quille SA	Rouen	France	99.97	99.96		
Acieroïd SA et ses filiales (ex-Acieroïd Espagne)	L'Hospitalet de Llobregat	Spain	99.97	99.96		
Bouygues UK LTD and subsidiaries	London	UK	99.97	99.96		
Losinger Construction AG	Bern	Switzerland	99.97	99.96		
Bouygues TP						
Bouygues TP SA	Saint-Quentin-en-Yvelines		99.97	99.96		
Basil Read LTD and subsidiaries	Johannesburg	South Africa	70.61	70.60		
Prader Losinger SA	Sion	Switzerland	99.64	99.63		
Prader Zurich	Zurich	Switzerland	99.90	99.84		
Other Bouygues Construction subsidiaries						
DTP Terrassement SA	Saint-Quentin-en-Yvelines	France	99.97	99.96		
Europe Fondations (ex-Intrafor SA)	Montigny-le-Bretonneux	France	Deconsolidated	99.87		
Dragages and TP LTD	Hong-Kong	China	99.97	99.96		
V.S.L. Intern. LTD and subsidiaries	Lyssach	Switzerland	99.88	99.87		
ETDE group						
ETDE SA and regional subsidiaries	Saint-Quentin-en-Yvelines	France	99.97	99.96		
ETDE Réseaux et Communication SA	Massy	France	99.97	99.96		
Exprimm SA	Saint-Quentin-en-Yvelines	France	99.97	99.96		
Gallet Delage SA	Kremlin-Bicêtre	France	99.97	99.96		
Mainguy	Vertou	France	99.97			
Monchel	Saint-Laurent Blanguy	France	Merged	99.96		
Serma and subsidiaries	Champ Gorgueil	France	99.97	99.96		
Transel	Saint-Quentin-en-Yvelines	France	99.97	99.96		
Ecovert FM	London	UK	99.97	99.96		
Société Gabonnaise d'Electrification 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		

Company	Location	Country	% interest 2004	% interest 2003	% direct and indirect control[(1)] 2004	% direct and indirect control[(1)] 2003
Bouygues TP						
Autoroute de Liaison Seine-Sarthe SA	Versailles	France	44.83	44.58		
Aka Holding	Budapest	Hungary	25.12			
Bina Fincom	Zagreb	Croatia	50.98	50.98		
2. Roads - Colas group						
Full consolidation						
Colas SA and regional subsidiaries						
(Colas, Screg et Sacer)	Boulogne-Billancourt	France	96.27	95.90		
Grands Travaux Océan Indien (GTOI) SA	Le Port (La Réunion)	France	96.26	95.89	99.99	99.99
Spac SA and subsidiaries	Clichy	France	96.27	95.90	99.99	99.99
Sécorail	Chatou	France	96.27	95.90	99.90	99.90
Société de Matériel Routier (Somaro) SA	Chatou	France	96.27	95.90	99.99	99.99
Colas Guadeloupe	Baie Mahault	France	96.26	95.89	99.99	99.99
Colas Martinique SA	Le Lamentin	France	96.26	95.89	99.99	99.99
Smac Acieroïd SA and subsidiaries	Boulogne-Billancourt	France	96.27	95.90	99.99	99.99
Colas Hungaria and subsidiaries	Budapest	Hungary	96.27	95.90	100.00	100.00
Colas Danmark	Virum	Denmark	96.27	95.90	100.00	100.00
Colas Genève SA and subsidiaries	Lausanne	France	95.51	95.15	99.21	99.21
Colas INC and subsidiaries	Morristown New Jersey	USA	96.27	95.90	100.00	100.00
Colas Maroc and subsidiaries	Casablanca	Morocco	96.20	95.83	99.93	99.93
Colas UK LTD and subsidiaries	Rowfant-Crakley	UK	96.27	95.90	100.00	100.00
Strada	Sroda-Wielkopolsko	Poland	56.10	55.88	58.27	58.27
Société routière Colas Gabon	Libreville	Gabon	86.54	86.21	89.89	89.89
Screg Belgium and subsidiaries	Brussels	Belgium	96.27	95.90	100.00	100.00
Proportional consolidation						
Carrières Roy SA	Saint-Varent	France	48.12	47.93	49.98	49.98
Equity method						
Cofiroute SA	Sèvres	France	16.05	15.99	16.67	16.67
3. Property - Bouygues Immobilier group						
Full consolidation						
Bouygues Immobilier	Boulogne-Billancourt	France	100.00	100.00		
SNC Bouygues Immobilier Entreprises Ile-de-France	Boulogne-Billancourt	France	100.00	100.00		
SNC Bouygues Immobilier Paris	Boulogne-Billancourt	France	100.00	100.00		
SNC Bouygues Immobilier Est	Strasbourg	France	100.00	100.00		
SLC and subsidiaries	Lyon	France	100.00			
Parque Empresarial Cristalia SL	Madrid	Spain	100.00	100.00		
SA Bouygues Inmobiliaria	Madrid	Spain	100.00	100.00		
D - OTHER SUBSIDIARIES						
Full consolidation						
Finagestion and subsidiaries (Italiy et Africa)	Saint-Quentin-en-Yvelines	France	100.00			
Infomobile SA	Guyancourt	France	Sold	100.00		
Bouygues relais	Saint Quentin-en-Yvelines	France	100.00	100.00		
Challenger SNC	Saint-Quentin-en-Yvelines	France	100.00	100.00		
Société française de participation & gestion (SFPG) SA and subsidiaries	Paris	France	99.76	99.76		
Sofic SA	Boulogne-Billancourt	France	Wound up	99.97		
Challenger Réassurance	Luxembourg	Luxembourg	99.99	99.99		
Uniservice	Geneva	Switzerland	99.99	99.99		
Equity method						
Financière Gaillon	Paris	France	15.00			

(1) if % control is different from % interest

Parent company financial statements

Balance sheet at 31 December

Assets (€ million)

	2004 Gross	2004 Amortisation	2004 Net	2003 Net	2002 Net
Intangible fixed assets	2	2	-	1	1
Tangible fixed assets	-	-	-	-	7
Long-term investments	7,300	23	7,277	7,823	6,652
Subsidiaries and affiliates	*6,744*	*18*	*6,726*	*7,187*	*5,877*
Advances to subsidiaries and affiliates	*542*	*1*	*541*	*623*	*577*
Other	*14*	*4*	*10*	*13*	*198*
FIXED ASSETS	7,302	25	7,277	7,824	6,660
Inventories and work in progress	-	-	-	-	-
Advances and payments on account	-	-	-	-	-
Trade receivables	19	-	19	20	30
Other receivables(1)	902	23	879	33	227
Short-term investment securities	2,508	1	2,507	1,578	781
Cash and equivalents	9	-	9	10	108
CURRENT ASSETS	3,438	24	3,414	1,641	1,146
Other assets	26	-	26	13	11
TOTAL ASSETS	**10,766**	**49**	**10,717**	**9,478**	**7,817**

(1) of which receivable from PAI partners on sale of Saur shares

Liabilities and Shareholders' Equity (€ million)

	2004 Net	2003 Net	2002 Net
Share capital	333	333	344
Premiums and reserves	2,632	4,348	4,636
Unallocated retained earnings	42	3	2
Net earnings for the year	586	216	121
Regulated provisions	-	-	-
SHAREHOLDERS' EQUITY	3,593	4,900	5,103
Provisions for liabilities and charges	187	177	232
Financial liabilities	3,345	2,978	2,232
Progress payments received	-	-	-
Trade payables	47	28	25
Other payables(2)	1,782	19	86
LIABILITIES	5,361	3,202	2,575
SHORT-TERM BANK BORROWINGS	1,763	1,375	139
Other liabilities	-	1	-
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**10,717**	**9,478**	**7,817**

(2) 2004: of which exceptional payout to be made on 07/01/2005

Income statement (€ million)

	2004	2003	2002
SALES	**68**	**62**	**63**
Other operating income	11	10	8
Purchases and changes in inventories	-	-	-
Taxes other than income tax	(2)	(2)	(2)
Personnel costs	(52)	(50)	(48)
Other operating expenses	(42)	(33)	(38)
Net depreciation, amortisation and provisions	(13)	(11)	(13)
EARNINGS FROM OPERATIONS	**(30)**	**(24)**	**(30)**
Net financial income	343	189	88
EARNINGS BEFORE TAX AND EXCEPTIONAL ITEMS	**313**	**165**	**58**
Exceptional items	218	(7)	65
Income tax	55	58	(2)
NET EARNINGS	**586**	**216**	**121**

Cash flow statement (€ million)

	2004	2003
A - OPERATING ACTIVITIES		
Cash flow	**294**	**189**
Net earnings for the year	586	216
Depreciation, amortisation and provisions on fixed assets	(154)	-
Net change in long-term provisions for liabilities and charges	9	(32)
Expense transfers	(6)	-
Net gain (loss) on asset disposals	(141)	5
Change in working capital requirement	**71**	**95**
Current assets	(48)	163
Current liabilities	119	(68)
NET CASH FROM OPERATING ACTIVITIES	**365**	**284**
B - INVESTING ACTIVITIES		
Increase in fixed assets		
Acquisition of intangible and tangible assets	-	-
Acquisition of participating interests	(45)	(2,605)
	(45)	**(2,605)**
Disposal of fixed assets[1]	802	1,517
Net investment	**757**	**(1,088)**
Net other long-term investments	88	(40)
Receivables/liabilities relating to fixed assets[1]	(797)	5
NET CASH USED FOR INVESTING ACTIVITIES	**48**	**(1,123)**
C - FINANCING ACTIVITIES		
Change in shareholders' equity[2]	(1,727)	(334)
Exceptional payout to be made in 2005[2]	1,664	-
Dividends paid during the year	(166)	(121)
Change in financial liabilities	357	741
NET CASH FROM FINANCING ACTIVITIES	**128**	**286**
CHANGE IN CASH AND EQUIVALENTS (A+B+C)	**541**	**(553)**
Cash and equivalents at 1 January	212	750
Other non-cash movements	-	15
Net flows during the year	541	(553)
CASH AND EQUIVALENTS AT 31 DECEMBER	**753**	**212**

(1) 12/2004: of which €796 million receivable from PAI partners on the sale of Saur shares

(2) 12/2004: of which €1,664 million relating to the exceptional payout on 07/01/2005

NOTES to the parent company financial statements

Contents

Amounts are expressed in millions of euros

Note 1: SIGNIFICANT EVENTS IN 2004

1.1. Holdings in subsidiaries and affiliates

1.1.1. Significant increases

		% interest held directly	
		31/12/2004	31/12/2003
Colas	€32m	95.56%	95.90%
TF1	€13m	41.45%	41.11%

1.1.2. Significant decreases

- *Saur*

On 19 November 2004, Bouygues signed a contract with PAI partners to sell shares in Saur (excluding businesses in Africa and Italy) for €1,031 million, with Bouygues SA to receive €796 million and subsidiaries owning shares in Saur to receive €235 million.

The sale was conditional on approval by the competition authorities. This condition was lifted on 8 February 2005.

At 31 December 2004, these Saur shares were excluded from long-term investments and transferred to "Other debtors relating to disposals of fixed assets". Bouygues SA's results include a total net impact of €194 million relating to the Saur share sale, which includes the gain realised by SNC Les Amandiers, along with a €49 million provision for capital gains tax.

Bouygues SA is to take a 15% stake (valued at €58 million) alongside PAI partners in the joint venture set up to acquire the Saur shares (Financière Gaillon). This amount is included in off-balance sheet commitments at 31 December 2004.

- *Disposal of Infomobile for €5.2 million.*
- *Liquidation of Boselli Sistemi, Bymages 3, CMS and SOFIC.*

1.2. Own shares

During 2004, Bouygues acquired 14,576,059 of its own shares for €414 million. These shares were booked as "other long-term investment securities" and then cancelled by the capital reductions of June 2004 and December 2004, pursuant to decisions by the Board of Directors on 15 June and 17 December 2004.

1.3. Advances to subsidiaries and affiliates

- Bouygues Telecom: €142 million partial repayment of advances.
- Infomobile: €1.4 million of advances relinquished before sale of shares.
- Sofic: €5.0 million of advances relinquished before liquidation.
- Finagestion: €43.2 million of advances, enabling this subsidiary to acquire Saur's African and Italian businesses.

1.4. Exceptional payout

In the Ordinary General Meeting of 7 October 2004, shareholders approved the exceptional payout of €5 per share or investment certificate, to be made on 7 January 2005.

The total amount of €1,664 million was transferred from share premiums to "Other miscellaneous payables - dividends to be paid".

1.5. Bond issues

1.5.1. Issue of OCEANE bonds (bonds convertible into new or existing shares)

On 29 April 2004, following the completion of the OCEANE programme:

- 1,331,713 bonds had been converted into 13,556,732 shares, at a rate of 10.18 shares per bond tendered,
- 260,718 bonds had been bought back in the market and cancelled,
- 33,379 bonds had been redeemed in cash at a rate of €263.85 per bond (including accrued interest).

The increase in shareholders' equity resulting from this transaction was €348 million.

1.5.2 October 2004 bond issue

- Amount: €1 billion
- Interest rate: 4.375%
- Issue price: 99.05%
- Redemption: redeemable in full at par on 29 October 2014.

1.6. Net financial income

Net financial income totalled €343 million, breaking down as follows (€ million):

• Dividends received and earnings of partnerships	437(1)
• Net interest income	(116)
• Net change in provisions on subsidiaries	7
• Proceeds from disposals of investment securities	22
• Other	(7)

(1) including a €207 million payment of exceptional dividends by Saur

Note 2: ACCOUNTING POLICIES

The financial statements have been prepared in accordance with current provisions of French law.

2.1. Intangible fixed 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 on a straight-line basis 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

2.3.1. 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 expenses.

2.3.2. Valuation of participating interests

Participating interests and long-term investment securities are valued at their retention value, determined on the basis of objective criteria (quoted share price for listed companies, shareholders' equity, 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.

2.3.3. Advances to subsidiaries and other loans

Advances and loans 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 equity securities, money-market funds, certificates of deposit and short-term notes is determined by the latest quoted price on 31 December 2004. For listed securities, the value is equal to the average price during December 2004.

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 into shares is charged against the issue premium for the new shares.

Amortisation of bond discounts concerns the July 1999, November 2003 and October 2004 bond issues, for which the issue prices were 99.854%, 99.348% and 99.05% of par respectively.

2.7. Provisions for liabilities and charges

This item comprises mainly:

- provisions for income tax, intended in particular 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,
- provisions for charges mainly include costs relating to long-service awards payable to employees. In accordance with CRC regulation 2004-03 of 4 May 2004, CNC recommendation 2003-R01 of 1 April 2003 and CRC regulation 2000-06 on liabilities, the company booked the necessary provisions for long-service awards on 31 December 2004, in an amount of €552,000. The impact of this change in accounting policy was €647,000 at 1 January 2004, and was taken to the income statement, in accordance with CNC opinion 97-06 of 18 June 1997.

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.

These instruments:

- 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,
- are only used 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 expenses relating to 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,
- Conventional and voluntary benefits applied in the company, taking into account the new collective agreement with managerial staff, applicable as of 1 January 2005,
- Commitments brought into compliance with CNC opinions and recommendations (July 2000, April 2003, March 2004),
- Vested benefits at 31 December 2004,
- Personnel classified into homogeneous groups by rank, age and length of service,
- Average monthly pay of each group at 31 December 2004, increased by a coefficient reflecting the current rate of employer social insurance contributions,
- Annual rate of increase in base pay: 4.30%; discount rate for present value calculations: 3.57%,
- Average staff turnover rate in 2004 calculated as the average rate of departures in the years from 1999 to 2004,
- Life expectancy determined from actuarial tables for 1993.

2.10. Consolidation

Bouygues SA is the company at the head of the consolidation group.

Note 3: FIXED ASSETS

	Gross value at 01/01/2004	Transfer	Increase	Decrease	At 31/12/2004
Intangible fixed assets					
Software	2	-	-	-	2
Other	-	-	-	-	0
Gross value	**2**	**-**	**-**	**-**	**2**
Depreciation	(1)	-	-	-	(1)
Net value	**1**	**-**	**-**	**-**	**1**
Tangible fixed assets					
Land and buildings	-	-	-	-	-
Other	-	-	-	-	-
Gross value	**-**	**-**	**-**	**-**	**-**
Depreciation	-	-	-	-	-
Net value	**-**	**-**	**-**	**-**	**-**
Long-term investments					
Subsidiaries	7,357	-	45	659	6,743
Advances to subsidiaries and affiliates(1)	630	-	63	150	543
Other	18	-	414	418	14
Gross value	**8,005**	**-**	**522**	**1,227**	**7,300**
Provisions	(182)	-	(2)	(160)	(24)
Net value	**7,823**	**-**	**520**	**1,067**	**7,276**
Total net value	**7,824**	**-**	**520**	**1,067**	**7,277**

	Gross
(1) of which due within more than one year	
Advances to subsidiaries and affiliates	*542*

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	27	21	6
Sundry receivables	893	870	23
Total	**920**	**891**	**29**

Note 5: PREPAYMENTS, DEFERRED CHARGES AND ACCRUED INCOME

	At 01/01/2004	Transfers	Increase	Amortisation	At 31/12/2004	Of which due within 1 year
Expenses incurred in issuing bonds	6	(2)	8	1	11	2
Expenses incurred in acquiring long-term investments	1	-	-	1	-	-
Total expenses to be amortised over several periods	**7**	**(2)**	**8**	**2**	**11**	**2**
Bond discounts	5	-	10	1	14	2
Other	1	-	1	1	1	1
Total	**13**	**(2)**	**19**	**4**	**26**	**5**

Note 6: CHANGE IN SHAREHOLDERS' EQUITY

Shareholders' equity at 31/12/2003 (before allocation of earnings)	**4,684**
Earnings allocated to net worth	216
Dividends paid out	(166)
Shareholders' equity at 01/01/2004 (after allocation of earnings)	**4,734**
Change in share capital	-
Change in premiums and reserves	(1,727)
Net earnings in 2004	586
Shareholders' equity at 31/12/2004	**3,593**

Note 7: COMPOSITION OF SHARE CAPITAL

	Number of votes	Number of shares	Number of investment certificates	Total
At 1 January 2004	426,030,167	332,671,539	528,430	333,199,969
Change during the year	(7,721,567)	(417,125)[1]	(24,220)	(441,345)
At 31 December 2004	418,308,600	332,254,414	504,210	332,758,624
Par value				1 €

Maximum number of future shares to be created: 18,130,458

(1) Changes in number of shares during the year:

Increases:

14,158,934 by exercise of stock options, conversion of investment certificates and conversion of OCEANE convertible bonds

Decreases:

14,576,059 by cancellation of own shares pursuant to decisions by the Board of Directors on 15/06/2004 and 14/12/2004

Note 8: PROVISIONS FOR LIABILITIES AND CHARGES

	At 01/01/2004	Transfer	Charges for the year	Written back during the year used	Written back during the year no used	At 31/12/2004
Provisions for sudsidiaries and affiliates	3	-	-	2	-	1
Provisions for taxes	147	-	48[1]	-	31	164
Other provisions	18	-	1	10	-	9
Provisions for liabilities	**168**	**-**	**49**	**12**	**31**	**174**
Provisions for charges	**9**	**-**	**12**	**9**	**-**	**12**
Total	**177**	**-**	**61**	**21**	**31**	**186**
				52		

	Charges for the year	Written back used
Operating provisions	11	8
Financial provisions	-	3
Exceptional provisions	50	41
	61	**52**

(1) €48m on sale of Saur shares

Note 9: LIABILITIES BY MATURITY AT 31 DECEMBER 2004

	Gross	Less than 1 year	1-5 years	More than 5 years
Financial liabilities				
Bond issues				
July 1999 bond issue[1]	512	12	500	-
May 2002 bond issue[2]	1,037	37	1,000	-
November 2003 bond issue[3]	788	38	-	750
October 2004 bond issue[4]	1,008	8	-	1,000
	3,345	95	1,500	1,750
Bank loans	-	-	-	-
Total financial liabilities	**3,345**	**95**	**1,500**	**1,750**
Trade payables	**47**	**47**	**-**	**-**
Sundry liabilities	**1,782**	**1,777**	**5**[5]	**-**
Short-term bank borrowings	**1,763**	**1,763**	**-**	**-**
Deferred income	**-**	**-**	**-**	**-**
Total	**6,937**	**3,682**	**1,505**	**1,750**

Original amounts excluding accrued interest

(1) July 1999 issue of bonds
Amount: FF3,280 million (€500 million) bearing interest at 4.875%, redeemable in full at par on 3 July 2006

(2) May 2002 issue of bonds
Amount: €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

(3) November 2003 issue of bonds:
Amount: €750 million, bearing interest at 4.625%, redeemable in full at par on 25 February 2011

(4) October 2004 issue of bonds:
Amount: €1 billion, bearing interest at 4.375%, redeemable in full at par on 29 October 2014

(5) Tax in full discharge on the special reserve for long-term capital gains

Note 10: DETAILS OF ACCOUNTS CONCERNING AFFILIATES

	Amount		Amount
Assets		**Liabilities**	
Long-term investments	7,286	Financial liabilities	-
Trade receivables	18	Trade payables	7
Other receivables	73	Other liabilities	9
Current account debit balances	-	Current account credit balances	1,763
Total	7,377	Total	1,779
Expense		**Income**	
Operating expenses	8	Operating income	67
Interest charges	32	Interest income	459
Income tax expense	-	Negative income tax expense	143
Total	40	Total	669

Note 11: HEDGING AND OTHER FINANCIAL INSTRUMENTS

11.1 Interest rate hedges

Amounts outstanding at 31/12/2004 by maturity	2005	2006-2009	Beyond	Total
Interest rate swaps				
On financial assets	420	-	-	420
On financial liabilities	-	200	-	200

11.2. Exchange rate hedges

Amounts oustanding at 31/12/2004 by currency	CHF	GBP	USD	Other	Total
Forward purchases and sales					
Foward purchases	-	-	-	-	-
Forward sales	-	-	-	-	-
Currency swaps	-	-	-	-	-

At 31 December 2004, the market value of the hedging instrument portfolio was €10 million.

11.3. Transactions in options

Calls: as part of the Bouygues Confiance II programme, Bouygues has acquired 255,010 calls on Bouygues shares and sold 155,000 calls on Bouygues shares.

At 31 December 2004, Bouygues held 491,985 calls.

Note 12: OFF-BALANCE SHEET COMMITMENTS

	Guarantee amount	Affiliates
Commitments given (liabilities))		
Purchases of securities	58	-
Retirement benefits	12	-
Other commitments given	4	-
Total	**74**	**-**
Commitments received (assets)		
Other commitments received	4	4
Total	**4**	**4**

In the past, before the group's construction activities were incorporated as subsidiaries, Bouygues SA provided performance bonds on its ordinary 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 has opted for tax consolidation under articles 223 A to U of France's General Tax Code. In addition to Bouygues SA, 79 companies were included in the consolidated tax group in 2004.

Each subsidiary books its tax charge as though there were no consolidation. The tax savings accrues to the parent company.

At year-end, Bouygues SA booked a negative income tax charge as follows:

	Short term	Long term	Total
Net tax expense			
Earnings before tax and exceptional items	31	-	31
Net exceptional items	(112)	(3)	(115)
	(81)	(3)	(84)
Negative tax expense due to tax consolidation (income tax received from profitable consolidated companies)	133	6	139
Total	**52**	**3**	**55**

Note 15: DEFERRED TAXES

	At 01/01/2004		Change during year		At 31/12/2004	
	Asset	Liability	Asset	Liability	Asset	Liability
Non-deductible expenses						
Tax provision	169	-	49	32	186	-
Other provisions	22	-	-	13	9	-
Total	**191**	**-**	**49**	**45**	**195**	**-**
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	-	4	4	-	-	-
Share of SNC loss	-	-	-	2	-	2
Bouygues Confiance calls	1		2	-	3	-
Other income and expense	**1**	**4**	**6**	**2**	**3**	**2**
Total	**1**	**4**	**6**	**2**	**3**	**2**

Note 16: AVERAGE NUMBER OF EMPLOYEES IN 2004

	2004	2003
Managerial	173	184
Clerical, technical and supervisory	54	60
Total	**227**	**244**

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 million in direct and indirect emoluments of all kinds from French and foreign companies, including €4 million in base pay, €5 million in bonuses paid in early 2005 on the basis of performance in 2004 and €0.27 million in directors' fees.
- Attendance fees paid to voting and non-voting directors amounted to €0.46 million.

Note 18: SECURITIES PORTFOLIO AT 31 DECEMBER 2004

Participating interests	Number of securities	%	Balance sheet value(1)
TF1	89,027,123	41.454	2,132(a)
Bouygues Telecom	33,260,254	82.198	4 122
Colas	30,727,605	95.559	3,657(a)
Bouygues Immobilier	44,994	99.987	245
Bouygues Construction	1,705,112	99.934	288(b)
Other securities			82
Total participating interests			**10,526**
Other securities			2,509(a)
Short-term notes			(a)
Total investment securities			**2,509**
Total transferable securities			**13,035**

(1) 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) 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	261	99.934	59	59	-	-	5,512	144	30	(5)
Bouygues Immobilier	69	170	99.987	245	245	-	-	1,295	65	28	(5)
Bouygues Telecom	617	1,170	82.198	4,123	4,123	498	-	3,674	321	-	(5)
Bouygues Relais	-	4	98.947	-	-	-	-	-	4	-	
C2S	-	-	99.930	-	-	-	-	9	(1)	-	
Colas	48	1,157	95.559	1,576	1,576	-	-	8,013	241	88	(5)
SFPG	-	(5)	99.760	-	-	-	-	-	(6)	-	(6)
SNC Challenger	-	5	99.990	15	15	-	-	15	5	-	
Sotegi	-	-	99.760	-	-	-	-	-	-	-	(6)
Total				6,018	6,018	498	-	18,518	773	146	
Foreign											
Uniservice	50	12	99.990	31	31				3	4	
Total				31	31				3	4	
2. Subsidiaries and affiliates (10 <% < 50)											
France											
TF1	43	909	41.454	666	666			2,835	220	57	(5)
Total				666	666			2,835	220	57	
Foreign											
Total				-	-						
B - Summary information											
3. Other subsidiaries											
France				24	9	43			(4)		(3)
Foreign				4				6			
4. Other affiliates											
France				1	1	1		78	2		(4)
Foreign											
GRAND TOTAL				**6,744**	**6,725**	**542**		**21,437**	**994**	**207**	

(1) in local operating currency

(2) in euros

(3) revaluation differences

(4) provisions for loans and advances: €1 million

(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 28 APRIL 2005

Agenda

1. Ordinary part

- Board of Directors' report on the company's situation and operations in 2004.
- Chairman's report on the preparation and organisation of the Board's work and on the internal control procedures introduced by the company.
- Auditors' reports for 2004.
- Auditors' observations on the Chairman's report concerning internal control procedures relating to the preparation and treatment of accounting and financial information.
- Board of Directors' special report on stock options.
- Approval of the parent company financial statements for the year ended 31 December 2004 as presented by the Board.
- Approval of the consolidated financial statements for the year ended 31 December 2004 as presented by the Board.
- Appropriation of earnings for 2004.
- Transfer of the special long-term capital gains reserve to the "Other reserves" account.
- Approval of the agreements referred to at Article L.225-38 of the Commercial Code.
- Renewal of the term of office of one director (Michel Rouger).
- Appointment of two directors representing employee shareholders.
- 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, preserving the preferential subscription right, by issuing ordinary shares or transferable securities giving access to ordinary shares in the company or in a company of which it owns more than 50%.
- Delegation of powers to the Board of Directors to increase the authorised capital by incorporating premiums, reserves or earnings.
- Delegation of powers to the Board of Directors to increase the authorised capital, cancelling the preferential subscription right, by issuing ordinary shares or transferable securities giving access to ordinary shares in the company or in a company of which it owns more than 50%.
- Authorisation for the Board of Directors to increase the number of securities to be issued in the event of a capital increase with or without preferential subscription rights.
- Authorisation for the Board of Directors, under the terms and conditions determined by the Annual General Meeting, to set the issue price for a public offering, without preferential subscription rights, of stock or transferable securities giving access to the capital, within the limit of 10% of the capital.
- Delegation of powers for the Board of Directors to increase the capital with a view to remunerating contributions in kind consisting of a company's stock or transferable securities giving access to the capital.
- Delegation of powers for the Board of Directors to increase the capital, without preferential subscription rights, in order to remunerate contributions of securities in the event of an exchange offer.
- Delegation of powers for the Board of Directors to increase the capital in favour of employees of the company or companies in the Group who belong to a corporate savings plan.
- Delegation of powers for the Board of Directors to issue shares following the issuance by a Bouygues subsidiary of transferable securities giving immediate or future access to shares in the company.
- Authorisation for the Board of Directors to allocate free shares, existing or to be issued, to employees and officers of the company or the Group or certain categories thereof.
- Authorisation for the Board of Directors to grant stock options.
- Delegation of powers for the Board of Directors to issue all transferable securities giving entitlement to the allocation of debt securities.
- Authorisation for the Board of Directors to reduce the authorised capital by cancelling treasury stock.
- Amendment of the by-laws.
- Delegation of powers for the Board of Directors to issue non-voting preference shares having the same rights as investment certificates.
- Powers to carry out formalities.

Board of Directors' report

and report on the resolutions put to the Annual General Meeting

Ladies and gentlemen,

We have called you to this Annual General Meeting to ask you to approve twenty-five resolutions, the contents of which are described in this report.

Board of Directors' report on resolutions within the competence of the ordinary part of the Meeting

1. Approval of accounts

The **first three resolutions** concern approval of the annual accounts of Bouygues SA and the consolidated financial statements as at 31 December 2004, the appropriation of earnings in the amount of €585,890,337.74 and the payment from 4 May 2005 of a dividend of €0.75 per share and per investment certificate, payable in cash.

Information about the company's management in 2004, the company accounts and consolidated financial statements and the proposed appropriation of earnings in 2004 is contained in the report on the company's operations in 2004. 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. Transfer of part of the special long-term capital gains reserve

The **fourth resolution** concerns the transfer of €200,000,000 from the special long-term capital gains reserve to "Other reserves" in accordance with Article 39 IV of the Supplementary Finance Act 2004 (Act 2004-1485 of 30 December 2004).

3. Regulated agreements

The **fifth resolution** concerns approval of the agreements referred to at Article L.225-38 of the Commercial Code, which are the subject of a special report from the auditors.

4. Renewal and appointment of directors

In the **sixth, seventh and eighth resolutions** you are asked to renew the term of office of a director appointed from among the shareholders and to appoint two directors who are members of the Supervisory Board of a mutual fund representing employee shareholders.

Your Board asks you:

- to renew the appointment of Mr. Michel Rouger as director for a three-year term expiring on conclusion of the Annual Meeting called to approve the accounts for 2007, subject to approval of the twenty-third resolution reducing the term of office of directors appointed from among the shareholders to three years;
- and to appoint Mr. Thierry Jourdaine and Mr. Jean-Michel Gras as directors appointed from among the members of mutual funds representing employee shareholders for a two-year term expiring on conclusion of the Annual Meeting called to approve the accounts for 2006.

5. Stock buy-back programme

In the **ninth resolution**, the Board asks you to authorise it to have the company buy its own shares or investment certificates under the terms of Articles L.225-209 to L.225-212 of the Commercial Code.

The number of shares purchased may not exceed 10% of the share capital. The unit purchase price may not be more than €60 per share or investment certificate and the sale price may not be less than €25 per share or investment certificate, subject to any adjustments relating to transactions involving the share capital.

This authorisation, which will replace the one given by the Annual General Meeting on 22 April 2004, is requested for a period of eighteen months and is intended to enable the company, in compliance with the provisions of Commission Regulation (EC) No. 2273/2003 of 22 December 2003 and Articles 241-1 to 241-7 of the General Regulations of the Autorité des Marchés Financiers:

- to ensure the liquidity of and organise the market for the shares, through an investment service provider acting independently under the terms of a liquidity agreement;
- to remit shares on exercise of rights attached to transferable securities;
- to keep shares with a view to using them subsequently for payment or exchange in the context of external growth transactions;
- to allocate shares to employees or corporate officers under the terms and conditions provided by law;
- to cancel shares subject to a specific authorisation from the shareholders' meeting (to be conferred by the twenty-second resolution);
- to implement any market practice accepted by the Autorité des Marchés Financiers and generally to carry out any other transaction in compliance with the prevailing regulations.

We ask you to allocate a maximum total amount of one billion euros (€1,000,000,000) to the buy-back programme.

Board of Directors' report on resolutions within the competence of the extraordinary part of the Meeting

The Board has called you to this Annual General Meeting to ask you to authorise it to make various issues of transferable securities, as appropriate, and to amend the by-laws.

In the past, the shareholders' meeting has regularly given the Board the necessary financial authorisations to raise funds to finance the Group's development according to the opportunities afforded by the financial markets.

Recent measures contained in the ordinance of 24 June 2004 enacted a new legal framework for resolutions relating to financial authorisations, the main effect of which is to unify and simplify the rules governing capital increases.

The new rules clarify the option available to the shareholders' meeting of delegating its powers to increase the share capital to the Board of Directors, up to a maximum total limit and for a maximum of twenty-six months, by issuing all types of transferable securities giving immediate or future access to the issuer's capital or – and this is new – to the capital of a company which directly or indirectly owns a majority interest in the issuer or a company of which the issuer directly or indirectly owns a majority interest.

In this context, we ask you to approve the tenth resolution on capital increases with preferential subscription rights and the twelfth resolution on capital increases without preferential subscription rights, each up to the same maximum nominal amount of one hundred and fifty million euros (€150,000,000). The same overall limit applies to the fifteenth and sixteenth resolutions, the terms of which are described below. We also ask you to approve the eleventh resolution on capital increases by incorporation of premiums, reserves or earnings, up to a maximum nominal amount, independent of and separate from the amount mentioned previously, of four billion euros (€4,000,000,000).

The ordinance also introduced new options for delegating powers, including the possibility for the shareholders' meeting to empower the Board of Directors to increase the amount of the initial issue if demand exceeds supply (Article L.225-135-1 of the Commercial Code) and, within the limit of 10% of the share capital, to increase the capital to remunerate contributions in kind to the company consisting of stock or transferable securities giving access to capital, when the provisions relating to exchange offers do not apply (Article L.225-147 of the Commercial Code).

The thirteenth and fifteenth resolutions reflect these new arrangements.

For capital increases by public offering without preferential subscription rights, the new regulations have removed reference to the "average market price for the shares on ten consecutive trading days chosen from among the twenty trading days preceding the opening date of issue" to determine the subscription price for the shares and now refer, as regards price-setting, to a decree taken in the Conseil d'Etat. Decree 2005-112 of 10 February 2005, published in the Official Journal on 12 February 2005, states that "the price shall be at least equal to the weighted average price on the three trading days before the date on which it is determined, with a maximum possible discount of 5%". Still as regards the price, the new regulations also introduced the option, up to a limit of 10% per year, for an extraordinary shareholders' meeting to authorise the Board to set the price freely under terms decided by the meeting.

These arrangements apply to the twelfth and fourteenth resolutions.

The financial authorisations you are asked to grant cancel and replace those given in previous years as of the date of this meeting, where relevant for the unused part.

All financial authorisations whose use would result in the issuance of transferable securities giving access to the capital would imply a waiver by shareholders of their preferential right to subscribe the ordinary shares in the company to which the issued transferable securities could give entitlement.

The limits on capital increases contained in the resolutions do not include the additional amount of ordinary shares to be issued in order to comply with the statutory requirement to preserve the rights of holders of transferable securities giving entitlement to company stock.

In accordance with the law, the Board of Directors may delegate the powers delegated to it by this Meeting to the Chief Executive Officer or, with his consent, to the Deputy CEOs. That is the meaning of the provision in the resolutions put to you that delegations to the Board of Directors may be subdelegated to any person authorised by law.

Where appropriate, and as required by law, should the Board of Directors wish to avail itself of these authorisations it would draw up an additional report describing the final terms of the issue. The report, and the corresponding auditors' report, would be made available to you for consultation at the registered office and would be brought to your attention at the next shareholders' meeting.

Under the new rules contained in the ordinance of 24 June 2004 it is no longer possible to issue priority-dividend shares without voting rights, investment certificates or priority shares. However, the ordinance introduces a new category of preference share that may be issued with or without voting rights and with specific rights of all kinds attached, of a temporary or permanent nature. A specific resolution must be passed before they can be issued. In this context, we ask you in the twenty-third and twenty-fourth resolutions to permit the issuance of non-voting preference shares having the same characteristics as investment certificates.

The ordinance has also unified the rules that apply to transferable securities giving access to capital by abolishing the specific rules that used to govern different categories of securities, namely bonds with share warrants, bonds convertible into shares, bonds exchangeable for shares and the transferable securities governed by former Articles L.228-91 et seq. of the Commercial Code. All these securities now belong to a single category of transferable securities giving access to capital.

1. Capital increases with preferential subscription rights

The **tenth resolution**, in accordance with Article L.225-129-2 of the Commercial Code, concerns the delegation of powers to the Board of Directors, with the option of delegating such powers to any person authorised by law, to increase the share capital on one or more occasions, preserving the preferential subscription right of holders of shares and investment certificates, by issuing ordinary shares in the company and all transferable securities of whatever kind, for valuable consideration or free of charge, giving access by all means, immediately or in the future, to ordinary shares in Bouygues, existing or to be issued or, pursuant to Article L.228-93 of the Commercial Code, in a company of which Bouygues directly or indirectly owns more than half the capital.

Transferable securities giving access to capital may include debt securities or be associated with debt securities or enable debt securities to be issued as intermediate securities. They may be subordinated or not, fixed-term or not; they may be reimbursable after other creditors have been paid off, to the exclusion of or including the holders of participating loans or participating securities, and they may be assigned a priority ranking.

The total nominal amount of capital increases that may be carried out under the terms of this delegation of powers and those of the twelfth, thirteenth, fourteenth, fifteenth, sixteenth and eighteenth resolutions may not exceed one hundred and fifty million euros (€150,000,000). The total nominal amount of issues of transferable securities representing claims on the company giving access to the capital may not exceed five billion euros (€5,000,000,000). This amount is common to all debt securities that may be issued under the terms of the twelfth, fifteenth and sixteenth resolutions; it is independent of and separate from the amount of transferable securities giving entitlement to the allocation of debt securities issued on the basis of the twenty-first resolution and the amount of debt securities whose issuance might be decided or authorised by the Board of Directors pursuant to Article L.228-40 of the Commercial Code.

The delegation of powers is valid for twenty-six months from the date of the meeting. It cancels any previous delegation having the same purpose from such date of meeting and for the unused part, if any.

Shareholders have an irreducible and (should the Board so decide) a reducible preferential right, in proportion to the amount of their shares, to subscribe transferable securities issued on the basis of this resolution.

If ordinary shares are issued, investment certificate holders shall have an irreducible and (should the Board so decide) a reducible preferential right to subscribe non-voting preference shares having the same characteristics as investment certificates and, in the event of an issue of transferable securities giving immediate or future access to shares in the company, to transferable securities giving entitlement under identical conditions to non-voting preference shares having the same characteristics as investment certificates.

The delegation entails a waiver by shareholders in favour of the holders of the issued transferable securities of their preferential right to subscribe the ordinary shares to which such transferable securities, if issued, may give entitlement; investment certificate holders, at a special meeting at 2.30 p.m. on 28 April 2005, will be asked to note that issues made on the basis of this resolution entail a waiver by investment certificate holders of their preferential right to subscribe non-voting preference shares having the same rights as investment certificates to which such transferable securities, if issued, may give entitlement.

2. Capital increases by incorporation of premiums, reserves or earnings

The purpose of the **eleventh resolution**, in accordance with Articles L.225-129-2 and L.225-130 of the Commercial Code, is to delegate powers to the Board of Directors, with the option of delegating such powers to any person authorised by law, to increase the capital on one or more occasions by incorporating premiums, reserves, earnings or other sums into the capital, where such incorporation is possible under the prevailing laws or by-laws, by allocating bonus shares or by raising the par value of existing shares or both.

The total amount of capital increases made in this way may not exceed four billion euros (€4,000,000,000), a nominal amount independent of and separate from the amount stipulated in the tenth resolution.

Should the capital increase take the form of an allocation of bonus shares, fractional rights shall be neither negotiable nor transferable and the corresponding shares shall be sold.

Investment certificate holders, at a special meeting at 2.30 p.m. on 28 April 2005, will be asked to note that if this resolution is implemented, non-voting preference shares having the same characteristics as investment certificates will be created and remitted free of charge to investment certificate holders in proportion to the number of new shares allocated to old shares, unless they waive their rights in favour of all holders or some of them only.

The delegation of powers is valid for twenty-six months from the date of the meeting. It invalidates any previous delegation having the same purpose from such date of meeting and for the unused part, if any.

3. Capital increases without preferential subscription rights

The purpose of the **twelfth resolution** is to delegate powers to the Board of Directors, with the option of delegating such powers to any person authorised by law, to increase the capital by issuing ordinary shares in the company and all transferable securities of whatever kind, for valuable consideration or free of charge, giving access by all means, immediately or in the future, to ordinary shares in Bouygues, existing or to be issued or, pursuant to Article L.228-93 of the Commercial Code, in a company of which Bouygues directly or indirectly owns more than half the capital.

Transferable securities giving access to capital may include debt securities or be associated with debt securities or enable debt securities to be issued as intermediate securities under the same terms as stipulated in the tenth resolution.

The total nominal amount of capital increases that may be carried out under the terms of this delegation of powers may not exceed one hundred and fifty million euros (€150,000,000), set against the overall limit of one hundred and fifty million euros (€150,000,000) stipulated in the tenth resolution. The total nominal amount of issues of transferable securities representing claims on the company giving access to the capital may not exceed five billion euros (€5,000,000,000). This amount is common to all debt securities that may be issued under the terms of the twelfth, fifteenth and sixteenth resolutions; it is independent of and separate from the amount of transferable securities giving entitlement to the allocation of debt securities issued on the basis of the twenty-first resolution and the amount of debt securities whose issuance might be decided or authorised by the Board of Directors pursuant to Article L.228-40 of the Commercial Code, such amounts being set against the limits stipulated in the tenth resolution.

In accordance with the above-mentioned decree of 10 February 2005, the issue price for ordinary shares to be issued under the terms of this resolution shall be determined in such a way that the sum that is or should be due to the company for each ordinary share issued is at least equal to the sum set under the conditions required by the prevailing laws and regulations, ie, at least equal to the weighted average price on the three trading days before it is set, with a maximum possible discount of 5%. If the fourteenth resolution is approved, the Board would nonetheless be authorised to derogate from the statutory price-setting rules up to a limit of 10% per twelve-month period, under the conditions stipulated in the fourteenth resolution.

In accordance with the prevailing laws and regulations, the Board may also institute a priority subscription period for shareholders of at least three trading days.

The delegation of powers is valid for twenty-six months from the date of the meeting. It invalidates any previous delegation having the same purpose from such date of meeting and for the unused part, if any.

The resolution cancels the shareholders' preferential right to subscribe the shares issued under its terms while empowering the Board of Directors to institute a priority subscription period. The authorisation also entails a waiver by shareholders of their preferential right to subscribe Bouygues shares to which the transferable securities issued on the basis of the resolution may give entitlement. Investment certificate holders, at a special meeting at 2.30 p.m. on 28 April 2005, will be asked to waive their preferential right to subscribe the transferable securities and the non-voting preference shares having the same rights as investment certificates to which such transferable securities, issued under the terms of the resolution, would give entitlement if such a waiver were not forthcoming.

4. Increase in the number of securities to be issued in an issue with or without preferential subscription rights

In accordance with Article L.225-135-1 of the Commercial Code, the **thirteenth resolution** concerns authorisation to be given to the Board of Directors, with the option of delegating such powers to any person authorised by law, to decide, for each issue decided pursuant to the tenth and twelfth resolutions, to increase the number of securities to be issued, during a period of thirty days following closure of the subscription, up to a limit of 15% of the initial issue, subject to the overall limit stipulated in the said resolutions, at the same price as for the initial issue.

The authorisation is valid for twenty-six months from the date of the meeting.

5. Capital increases, up to a limit of 10% of the share capital, without preferential subscription rights according to the terms for setting the issue price determined by the shareholders' meeting

In accordance with Article L.225-136-1 of the Commercial Code, the **fourteenth resolution** concerns authorisation to be given to the Board of Directors, with the option of delegating such powers to any person authorised by law, for issues made under the terms of the twelfth resolution, to derogate from the price-setting conditions contained in that resolution and, under terms decided by the shareholders' meeting, to set the issue price for a public offering, without preferential subscription rights, of stock or transferable securities giving access to the capital, within the limit of 10% of the share capital per twelve-month period.

The Board may choose between the following two methods:

- an issue price equal to the average market price over a maximum period of six months preceding the issue,
- an issue price equal to the weighted average market price on the day before the issue (1-day VWAP) with a maximum discount of 20%.

The total amount of capital increases made under the resolution is set against the overall limit stipulated in the tenth resolution.

The authorisation is valid for twenty-six months from the date of the meeting.

6. Capital increases in remuneration of contributions of securities in accordance with Article L.225-147 of the Commercial Code

In accordance with Article L.225-147 of the Commercial Code, the **fifteenth resolution** concerns delegation to the Board of Directors of powers to carry out, on a report from the statutory appraiser, one or more capital increases, up to a limit of 10% of the share capital, in remuneration of contributions in kind to the company consisting of a company's stock or transferable securities giving access to the capital, when the provisions of Article L.225-148 of the Commercial Code do not apply.

The amount of capital increases made under the resolution is set against the overall limit stipulated in the tenth resolution.

The delegation of powers is valid for twenty-six months from the date of the meeting. It invalidates any previous delegation having the same purpose from such date of meeting and for the unused part, if any.

As with any contribution in kind, the resolution entails cancellation in favour of the holders of the contributed stock or transferable securities of the shareholders' preferential right to subscribe the securities issued under its terms. Investment certificate holders, at a special meeting at 2.30 p.m. on 28 April 2005, will be asked to note that they have no preferential right to subscribe (i) non-voting preference shares having the same rights as investment certificates if ordinary shares are issued under this delegation of powers, or (ii) if transferable securities giving access to ordinary shares are issued, transferable securities giving access under the same conditions to non-voting preference shares having the same rights as investment certificates.

7. Capital increases in accordance with Article L.225-148 of the Commercial Code if the company initiates a public offering

In accordance with Article L.225-148 of the Commercial Code, the **sixteenth resolution** concerns delegation of powers to the Board of Directors, with the option of delegating such powers to any person authorised by law, to decide, in such proportion and at such times as it may decide, having regard to the auditors' opinion on the conditions and consequences of the issue, one or more capital increases to remunerate securities tendered in the context of an exchange offer initiated by the company for the securities of a company whose shares are admitted to trading on a regulated market as set forth at Article L.225-148 of the Commercial Code. The amount of capital increases made under the terms of the resolution will be set against the overall limit of one hundred and fifty million euros (€150,000,000) stipulated in the tenth resolution.

The delegation of powers is valid for twenty-six months from the date of the meeting. It invalidates any previous delegation having the same purpose from such date of meeting and for the unused part, if any.

The resolution entails cancellation in favour of the holders of the securities to which the exchange offer applies of the shareholders' preferential right to subscribe the securities issued under its terms. Investment certificate holders, at a special meeting at 2.30 p.m. on 28 April 2005, will be asked to note that they have no preferential right to subscribe (i) non-voting preference shares having the same rights as investment certificates if ordinary shares are issued under the delegation of powers, or (ii) if transferable securities giving access to ordinary shares are issued, transferable securities giving access under the same conditions to non-voting preference shares having the same rights as investment certificates.

8. Authorisations to increase the capital in favour of employees

The **seventeenth resolution** concerns delegation to the Board of Directors of powers to decide, in such proportion and at such times as it may deem appropriate, one or more capital increases reserved for employees of the company or companies affiliated to it within the meaning of Article L. 225-180 of the Commercial Code, up to a limit of 10% of the company's share capital on the day on which it takes its decision, such limit being independent of and separate from the limit stipulated in the tenth resolution, by issuing new shares payable in cash and, where relevant, by incorporating reserves, earnings or premiums into the capital and by allocating bonus shares or other securities giving access to the capital.

In accordance with Article L.225-129-6 of the Commercial Code resulting from ordinance 2004-604 of 24 June 2004, the shareholders' meeting must decide on a draft resolution concerning a capital increase in favour of employees under the conditions set forth at Article L. 443-5 of the Labour Code when it delegates its powers to carry out a capital increase. The tenth and twelfth draft resolutions contain such delegations.

In accordance with Article L.443-5 of the Labour Code, the subscription price may not be more than 20% (or 30% if the period of unavailability under the terms of the plan is greater than or equal to ten years) less than the average listed price of the share on the Eurolist by Euronext^{TM} market on the twenty trading days preceding the day on which the Board of Directors takes its decision setting the date for opening subscriptions.

In the context of the authorisation, the Board will have all powers to decide the date and conditions of issues made under its terms, to note completion of capital increases, to make the corresponding amendments to the by-laws and carry out subsequent formalities and to charge expenses incurred in connection with capital increases to the amount of the premium relating to each capital increase.

When it avails itself of the authorisation, the Board of Directors shall draw up an additional report to be presented to the next ordinary shareholders' meeting, certified by the auditors, describing the final conditions of the transaction.

The delegation of powers is valid for twenty-six months from the date of the meeting. It invalidates any previous delegation having the same purpose from such date of meeting and for the unused part, if any.

The resolution entails a waiver by shareholders of their preferential subscription right in favour of the employees for whom the capital increase is reserved and a waiver of all rights to shares or other securities giving access to the capital allocated free of charge on the basis of the resolution.

Investment certificate holders, at a special meeting at 2.30 p.m. on 28 April 2005, will be asked to note that they have no preferential right to subscribe (i) non-voting preference shares having the same rights as investment certificates if ordinary shares are issued under this delegation of powers, or (ii) if transferable securities giving access to ordinary shares are issued, transferable securities giving access under the same conditions to non-voting preference shares having the same rights as investment certificates.

9. Issuance by a company of which Bouygues directly or indirectly owns more than half the capital of transferable securities giving access to Bouygues shares

The **eighteenth resolution** concerns delegation of powers to the Board of Directors, with the option of delegating such powers to any person authorised by law in accordance with Article L.225-93 of the Commercial Code, to authorise the issuance by any company of which Bouygues directly or indirectly owns more than half the share capital of transferable securities giving access to shares in the company.

In accordance with Article L.228-93 of the Commercial Code, a company limited by shares may henceforth issue transferable securities giving access to the capital of a company which directly or indirectly owns more than half its capital. The issuance must be authorised by an extraordinary meeting of the shareholders of the company wishing to issue the transferable securities and of the company in relation to which the rights are exercised, under the conditions of Article L.228-92; the meeting must take its decision on the Board of Directors' report and the auditors' special report.

The amount of capital increases made under the resolution is set against the overall limit stipulated in the tenth resolution.

The powers will be delegated to the Board for twenty-six months.

The issuance of such transferable securities would be authorised by the extraordinary shareholders' meeting of the subsidiary concerned and the issuance of Bouygues shares to which such transferable securities would give entitlement would be decided concomitantly by the Board of Directors on the basis of this financial authorisation, with the Board of Directors' prior authorisation.

The resolution entails a waiver by shareholders in favour of the holders of the transferable securities giving access to the capital of the company issued on the basis of such delegation of their preferential right to subscribe the Bouygues shares to which such transferable securities issued by subsidiaries could give entitlement, given that the company's shareholders would not have a preferential right to subscribe such transferable securities. Investment certificate holders, at a special meeting at 2.30 p.m. on 28 April 2005, will be asked to waive their preferential right to subscribe the transferable securities and the non-voting preference shares having the same rights as Bouygues investment certificates to which such transferable securities could give entitlement should they fail to waive their preferential subscription right, given that the investment certificate holders will note that they have no preferential right to subscribe such transferable securities.

10. Allocation of bonus shares

In the **nineteenth resolution** you will be asked to authorise the Board of Directors, in accordance with Articles L.225-197-1 et seq. of the Commercial Code resulting from the Finance Act 2005 (Act 2004-1484 of 30 December 2004) to allocate bonus shares, existing or to be issued, to employees and corporate officers of the company or of companies or consortia affiliated to it within the meaning of Article L.225-197-2 of the Commercial Code.

In accordance with the law, allocations of bonus shares may not concern more than 10% of the company's share capital and may not cause any employee or corporate officer to hold more than 10% of the share capital.

Beneficiaries shall take final possession of their shares only after holding them for two years, and the shares must be kept for at least two years from the final allocation date as referred to above.

The amount of the capital increase resulting from the issuance of bonus shares is independent of and separate from the overall limit stipulated in the tenth resolution.

The authorisation is given for thirty-six months.

In accordance with Article L.225-197-4 of the Commercial Code, each year a special report shall inform the Annual General Meeting of transactions carried out under the terms of the resolution.

The resolution entails a waiver by shareholders of their preferential subscription right in favour of those to whom the bonus shares are allocated. Investment certificate holders, at a special meeting at 2.30 p.m. on 28 April 2005, will be asked to waive their preferential right to subscribe non-voting preference shares having the same rights as investment certificates if new ordinary shares are allocated free of charge under the terms of the resolution.

11. Authorisation for the Board to award stock options

In accordance with Articles L.225-177 to L.225-186 of the Commercial Code, the purpose of the **twentieth resolution** is to authorise the Board of Directors to award all or some of the salaried employees and corporate officers of Bouygues and of companies or consortia directly or indirectly affiliated to it, on one or more occasions, options giving entitlement to subscribe new shares to be issued by way of a capital increase or to purchase existing shares in the company.

The authorisation sets the terms for exercising such options, in particular as regards the purchase or subscription price of the shares to which the options relate.

For options to subscribe shares, the subscription price may not be less than 95% of the average listed price for the share on the Eurolist by Euronext™ market during the twenty trading days preceding the day on which the options are awarded.

For options to purchase shares, the purchase price may not be less than 95% of the average listed price for the share on the Eurolist by Euronext™ market during the twenty trading days preceding the day on which the options are awarded, and in addition such price, on the day the options are awarded, may not be 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.

The delegation of powers is valid for thirty-eight months from the date of the meeting. It invalidates any previous delegation having the same purpose from such date of meeting and for the unused part, if any.

The resolution entails a waiver by shareholders of their preferential right to subscribe the shares issued on exercice of options in favour of those to whom the options to subscribe shares have been awarded. Investment certificate holders, at a special meeting at 2.30 p.m. on 28 April 2005, will be asked to waive their preferential right to purchase or subscribe non-voting preference shares having the same rights as investment certificates if options to purchase or subscribe ordinary shares are awarded under the terms of the resolution.

12. Delegation of powers to the Board of Directors to issue all transferable securities giving entitlement to the allocation of debt securities that do not occasion a capital increase

In the **twenty-first resolution** you are asked to delegate powers to the Board of Directors, with the option of delegating such powers to any person authorised by law, in accordance with Articles L.225-129-2 to L.225-129-6 and Article L.228-92 of the Commercial Code, to create or issue all transferable securities giving entitlement, immediately or in the future, to debt securities, such as bonds, similar securities, subordinated securities, fixed-term or not, and all other securities conferring a claim on the company.

The delegation is granted up to a limit of five billion euros (€5,000,000,000), not set against the limit stipulated in the tenth and twelfth resolutions. Under such delegation of powers, the Board may determine the conditions and decide all the characteristics of the transferable securities and debt securities concerned.

The delegation, granted for twenty-six months, cancels any previous delegation having the same purpose.

13. Reduction of the share capital by cancellation of treasury stock

In accordance with Article L.225-209 of the Commercial Code, the purpose of the **twenty-second resolution** is to authorise the Board of Directors, with the option of delegating such powers to any person authorised by law, to cancel, on one or more occasions, at its own discretion, up to a limit of 10% of the capital in any 24-month period, all or some of the shares that the company holds or may hold as a result of using the various purchase authorisations given by the shareholders' meeting to the Board and to reduce the share capital by the same amount.

The authorisation is given for eighteen months and cancels any previous authorisation having the same purpose.

14. Amendment of the by-laws

The **twenty-third resolution** concerns amendment of the by-laws to:

- take account of certain provisions resulting from ordinance 2004-604 of 24 June 2004 relating to the creation of non-voting preference shares having the same rights as investment certificates;
- reduce the term of office of directors appointed from among the shareholders from six years to three, given that the amendment will apply only to directors who are appointed or whose terms of office are renewed as of the Annual General Meeting on 28 April 2005;
- take account of the change of name of the central securities depository responsible for keeping the securities issue account.

15. Delegation of powers to the Board of to issue preference shares

Subject to approval of the twenty-third resolution amending the by-laws, the purpose of the **twenty-fourth resolution** is to delegate powers to the Board of Directors to decide, in cases where the prevailing regulations so provide, to issue, buy back and convert non-voting preference shares having the same rights as investment certificates and all transferable securities of whatever kind giving access by all means, immediately or in the future, to non-voting preference shares having the same rights as investment certificates.

The nominal amount of all preference shares issued under the terms of the delegation may not exceed 25% of the share capital.

The delegation is granted to the Board for eighteen months as of the date of the meeting.

16. Powers

The **twenty-fifth resolution** concerns powers to accomplish formalities relating to both the ordinary and extraordinary part of the meeting.

* * *

Information about the conduct of the company's business, which we have a statutory obligation to provide, is contained in the business report communicated to you.

Information about authorisations to increase the capital with cancellation of the preferential subscription right is given in the commentaries in this report on the tenth, twelfth, fifteenth, sixteenth, seventeenth, eighteenth, nineteenth and twentieth resolutions.

Information about capital increases reserved for employees who are members of a corporate savings plan is given in the commentaries on the seventeenth resolution.

Information about the conditions for setting the issue price for a public offering without preferential subscription rights of stock up to a limit of 10% of the share capital per year is given in the commentaries on the fourteenth resolution.

Information about authorisations to issue transferable securities giving access to the capital or entitlement to the allocation of debt securities is given in the commentaries on the tenth, twelfth, fifteenth, sixteenth, seventeenth, eighteenth and twenty-first resolutions.

Information about the issuance by companies of which Bouygues directly or indirectly owns more than half the capital of transferable securities giving access to the capital of Bouygues is given in the commentaries on the eighteenth resolution.

Information about the allocation of bonus shares is given in the commentaries on the nineteenth resolution.

We ask you to vote on the resolutions put to you.

The Board of Directors

Auditors’ reports

Board of Directors' special report on stock options

The report may be found at Section 3, pages 78 to 79, 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 report may be found at Section 3, pages 66 to 74, of this document.

Auditors’ general report on the annual accounts

Year ended 31 December 2004

Ladies and Gentlemen,

In accordance with the terms of our appointment at your Annual Meeting, we hereby submit our report for the year ended 31 December 2004 on:

- our audit of the annual accounts of Bouygues SA as attached to this report;
- substantiation of our opinion;
- 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 2004 and of the financial situation and assets of the company at that date.

Without calling into question the opinion expressed above and pursuant to the provisions of Article L.232-6 of the Commercial Code, we draw your attention to the change in accounting method during the year, resulting from a first-time provision for long service awards booked in 2004, in accordance with the terms described in Note 2.7 of the notes to the financial statements.

Substantiation of our opinion

Pursuant to the provisions of Article L.225-235 of the Commercial Code concerning substantiation of our option, we bring to your attention the following items of information:

The equity securities appearing as assets on your company’s balance sheet are valued using the methods described in Note 2.3 of the notes to the 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 information provided in the notes to the financial statements.

The assessments thus made form part of our audit of the annual accounts taken as a whole and have thus contributed to the formation of our opinion expressed without qualification in the first part of this report.

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 also 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, 2 March 2005

The Auditors

Ernst & Young Audit
Jean-Claude Lomberget

Mazars & Guérard
Michel Rosse

Auditors' report on the consolidated financial statements

Year ended 31 December 2004

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 2004 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.

Without calling into question the opinion expressed above and pursuant to the provisions of Article L.232-6 of the Commercial Code, we draw your attention to the change in accounting method during the year, resulting from a first-time provision for Bouygues Telecom's customer retention programmes booked in 2004, pursuant to Notice CNC 2004-E of 13 October 2004 and in accordance with the terms described in Note 1 of the notes to the consolidated financial statements.

Substantiation of our opinion

Pursuant to the provisions of Article L.225-235 of the Commercial Code concerning substantiation of our opinion, we bring to your attention the following items of information:

Loss-of-value tests were carried out on intangible fixed assets and goodwill as described in Note 2.1.1 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 €1,866 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 the risks.

Deferred tax assets amount to €545 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.

The assessments thus made form part of our audit of the consolidated financial statements taken as a whole and have thus contributed to the formation of our opinion expressed without qualification in the first part of this report.

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, 2 March 2005

The Auditors

Ernst & Young Audit
Jean-Claude Lomberget

Mazars & Guérard
Michel Rosse

3. Auditors' report in accordance with the final paragraph of Article L.225-235 of the Commercial Code on the report of the Chairman of Bouygues SA on internal control procedures relating to the preparation and treatment of accounting and financial information

Year ended 31 December 2004

Ladies and Gentlemen,

In our capacity as auditors of Bouygues SA 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 2004.

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 contained in the Chairman's report relating to internal control procedures and the preparation and treatment of accounting and financial information.

We have performed our assignment in accordance with the prevailing standards of the profession in France, which require us to verify that the information given in the Chairman's report relating to internal control procedures and the preparation and treatment of accounting and financial information is fairly stated. These steps include in particular:

- acquainting ourselves with the objectives and general organisation of internal controls and the internal control procedures relating to the preparation and treatment of accounting and financial information contained in the Chairman's report;
- acquainting ourselves with the work underlying the information given in the report.

On the basis of this work, we have no comment to make about the information concerning the company's internal control procedures as they relate to the preparation and treatment of accounting and financial information contained in the Chairman's report prepared pursuant to the provisions of the final paragraph of Article L.225-37 of the Commercial Code.

Paris La Défense, 2 March 2005

The Auditors

Ernst & Young Audit
Jean-Claude Lomberget

Mazars & Guérard
Michel Rosse

Auditors' special report on regulated agreements

Year ended 31 December 2004

Ladies and Gentlemen,

In our capacity as auditors of your company, we hereby submit our report on regulated agreements.

1. 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 of 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.

1.1 Common service agreements

Bouygues has 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 2004:

Subsidiary	Amount (excl. VAT)	Persons concerned
Bouygues Construction	€9,755,883	Michel Derbesse, Yves Gabriel and Olivier Poupart-Lafarge
Bouygues Immobilier	€2,164,053	Michel Derbesse and Olivier Poupart-Lafarge
Bouygues Telecom	€7,182,278	Olivier Bouygues and Olivier Poupart-Lafarge
Colas	€14,150,108	Olivier Bouygues, Michel Derbesse, Alain Dupont, Patrick Le Lay and Olivier Poupart-Lafarge
Infomobile	-€17,458	
Saur	€5,294,930	Olivier Bouygues, Michel Derbesse, Yves Gabriel and Olivier Poupart-Lafarge
TF1	€5,166,628	Patricia Barbizet, Martin Bouygues, Michel Derbesse, Patrick Le Lay and Olivier Poupart-Lafarge

1.2. Service agreements: use of Bouygues offices at 90, avenue des Champs-Elysées

Bouygues has concluded an agreement with its main subsidiaries under the terms of which it provides fully-equipped occasional offices at 90, avenue des Champs-Elysées.

Bouygues invoiced the following amounts in respect of this agreement in 2004:

Subsidiary	Amount (excl.VAT)	Persons concerned
Bouygues Bâtiment International	€63,000	Yves Gabriel and Olivier Poupart-Lafarge
Bouygues Bâtiment Ile-de-France	€464,000	Yves Gabriel
Bouygues Construction	€181,000	Michel Derbesse, Yves Gabriel and Olivier Poupart-Lafarge
Bouygues Telecom	€36,000	Olivier Bouygues and Olivier Poupart-Lafarge
Bouygues Travaux Publics	€97,000	Yves Gabriel and Olivier Poupart-Lafarge
Saur	€118,000	Olivier Bouygues, Michel Derbesse, Yves Gabriel and Olivier Poupart-Lafarge
ETDE	€30,000	Yves Gabriel
Bouygues Immobilier	€11,000	Michel Derbesse and Olivier Poupart-Lafarge

1.3. Service agreements: use of aircraft owned by Bouygues

Bouygues has concluded an agreement with its main subsidiaries for use of its aircraft.

Bouygues invoiced the following amounts in respect of this agreement in 2004:

Subsidiary	Amount (excl. VAT)	Persons concerned
Bouygues Construction	€414,483	Michel Derbesse, Yves Gabriel and Olivier Poupart-Lafarge
Bouygues Bâtiment International	€76,917	Yves Gabriel and Olivier Poupart-Lafarge
Bouygues Bâtiment Ile-de-France	€0	Yves Gabriel
Bouygues Travaux Publics	€0	Yves Gabriel and Olivier Poupart-Lafarge
Bouygues Immobilier	€14,950	Michel Derbesse and Olivier Poupart-Lafarge
DTP Terrassement	€101,183	
Groupe TF1	€1,568,256	Patricia Barbizet, Martin Bouygues, Michel Derbesse, Patrick Le Lay and Olivier Poupart-Lafarge
Saur	€96,083	Olivier Bouygues, Michel Derbesse, Yves Gabriel and Olivier Poupart-Lafarge
Saur France	€0	Olivier Bouygues
Saur International	€0	Olivier Bouygues
Colas	€290,550	Olivier Bouygues, Michel Derbesse, Alain Dupont, Patrick Le Lay and Olivier Poupart-Lafarge
Bouygues Telecom	€278,633	Olivier Bouygues and Olivier Poupart-Lafarge
ETDE	€9,650	Yves Gabriel

1.4. Service agreements: investor relations services for Bouygues Construction and TF1 provided by the general secretariat of the Bouygues group

Bouygues has concluded agreements to provide investor relations services to certain subsidiaries.

Bouygues invoiced the following amounts in respect of these agreements in 2004:

Subsidiary	Amount (excl. VAT)	Persons concerned
TF1	€60,000	Patricia Barbizet, Martin Bouygues, Michel Derbesse, Patrick Le Lay and Olivier Poupart-Lafarge
Bouygues Construction	€35,000	Michel Derbesse, Yves Gabriel and Olivier Poupart-Lafarge

1.5. Thessaloniki Metro SA (TMSA)

Bouygues' Board of Directors authorised the transfer by Bouygues Travaux Publics to Bouygues of its loan receivable and the handover to Bouygues of its interest in TMSA to allow for the liquidation of TMSA.

Persons concerned:
Yves Gabriel and Olivier Poupart-Lafarge.

1.6. Technical support agreement between Bouygues and TF1 Publicité

An agreement was concluded to allow TF1 Publicité 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.

Bouygues invoiced €135,000 excluding VAT in respect of this agreement.

Person concerned: Patrick Le Lay.

1.7. Assumption of defence costs

Bouygues' Board of Directors approved the company's assumption of costs incurred by senior managers or employees in their defence or in connection with criminal proceedings resulting in discharge or acquittal where such proceedings are brought against them for acts accomplished in performance of their duties or for the mere fact of holding a position as Director, Chairman, CEO or Deputy CEO or any equivalent position in a Group company.

€177,206 was paid by Bouygues in respect of this agreement in 2004.

Person concerned: Martin Bouygues.

1.8. Disposal of Infomobile

Bouygues' Board of Directors approved the transactions relating to the disposal of Infomobile, including:

- the conclusion of a memorandum of understanding for the sale of Bouygues' stake in Infomobile to SR Téléperformance, including an asset and liability guarantee;
- the conclusion of an agreement between Bouygues and Bouygues Telecom, in respect of which Bouygues Telecom invoiced Bouygues for €3,800,000;
- the relinquishment by Bouygues of part of its receivable on Infomobile, for €1,400,000;
- the conclusion of an agreement relating to the claim of Infomobile's pager activities to a Bouygues subsidiary.

Persons concerned:
Alain Pouyat, Olivier Bouygues, Michel Derbesse and Olivier Poupart-Lafarge.

1.9. Agreement between Bouygues and SCDM

Bouygues concluded an agreement with SCDM, a company owned by Martin and Olivier Bouygues, which has a small team (including Martin and Olivier Bouygues) and ongoing commitments to the Bouygues group.

Under the terms of the agreement, SCDM will reinvoice Bouygues for costs incurred up to a maximum of €8 million a year, relating to:

- wages, in particular those of Martin and Olivier Bouygues, who are paid solely by SCDM;
- research and analysis relating to strategic developments and the expansion of the Bouygues group;
- miscellaneous services.

SCDM may also provide specific services to Bouygues outside the scope of its permanent mission, which would be invoiced according to normal market conditions.

Under the terms of the agreement, Bouygues will also recharge SCDM for office space of 130 m^2 on the Challenger site for an annual rental charge of €85,000, as well as specific services according to normal market conditions.

The agreement, authorised on 14 December 2004, had no impact on the 2004 financial year.

Persons concerned:
Martin Bouygues and Olivier Bouygues

2. Agreements approved in previous years which continued to be effective in 2004

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 2004:

2.1. Reciprocal advances between Bouygues and its subsidiaries generating interest charges

Advances by Bouygues to its subsidiaries generated interest charges of €18,225,705 at rates lower than the tax-deductible minimum (4.58%) for advances in euros.

2.2. Guarantees

2.2.1. 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.

2.2.2. 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.

2.2.3. Continuation of guarantees given by Bouygues to Bouygues Bâtiment International

In January 1998, Bouygues concluded a concession agreement relating to an equestrian club project in Jeddah (Saudi Arabia). Following the spin-offs in June 1999, one result of which was to substitute Bouygues Bâtiment for Bouygues, the two companies concluded an agreement in order to amend the clauses relating to joint and several liability.

2.3. Trade mark licence agreements

2.3.1. With Bouygues Construction, 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 invoiced the following amounts in respect of these agreements in 2004:

Subsidiary	Amount (excl. VAT)
Bouygues Construction	€36,283
Bouygues Travaux Publics	€15,855
Bouygues Immobilier	€16,464

2.3.2. With Bouygues Bâtiment International and Bouygues Bâtiment Ile-de-France

Bouygues concluded the following agreements in 2003:

- with Bouygues Bâtiment International, a supplement to the trade mark licence agreement of 21 December 2000, granting it the right to use the Bouygues Bâtiment trade marks in certain foreign countries, to use the Minorange ellipse trade marks in France and the above-mentioned foreign countries and to use the Bouygues Bâtiment company name and trade name worldwide;
- with Bouygues Bâtiment Ile de France, a licence agreement granting it the 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 and the right to use the Bouygues Bâtiment company name and trade name.

Bouygues invoiced the following amounts in respect of these agreements in 2004:

Subsidiary	Amount (excl. VAT)
Bouygues Bâtiment International	€7,318
Bouygues Bâtiment Ile-de-France	€15,550

2.3.3. 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 2004;
- exclusive licences to use Bouygues Telecom trade marks in 99 foreign countries, in respect of which Bouygues invoiced €30,185 excl. VAT in 2004;
- an exclusive licence to use the Bouygtel trade mark in France, in respect of which Bouygues invoiced €15,245 excl. VAT in 2004;
- a non-exclusive licence to use the Bouygnet trade mark in France, in respect of which Bouygues invoiced €1,524 excl. VAT in 2004.

2.4. Pledge of Bouygues Telecom shares bought from E.ON and SFPG and of shareholder loans transferred by E.ON and SFPG to Bouygues

In the context of Bouygues' purchase from E.ON and SFPG of part of their equity interests in Bouygues Telecom in 2003, the Bouygues Telecom shares bought and the shareholder loans transferred were pledged to the lenders who granted Bouygues Telecom a €2,287 million bank loan.

The pledge was released on 28 April 2004.

2.5. Sponsorship agreement between Bouygues and ARSEP

The sponsorship agreement between Bouygues and ARSEP concluded on 18 December 2002 for the purpose of raising funds to carry out a project called EDMUS to computerise data on multiple sclerosis sufferers continued in 2004.

€38,500 excl. VAT was paid in respect of this agreement in 2004.

2.6. Other agreements

2.6.1. With Bouygues Construction

Bouygues concluded a three, six, nine-year sub-lease agreement with Bouygues Construction as of 1 January 2000 relating to approximately 5,000 m2 of the Challenger site.

Bouygues Construction invoiced €3,164,562 excl. VAT in respect of this agreement in 2004.

2.6.2. With Bouygues Bâtiment International

The agreement signed at the end of December 2003 between Bouygues and Bouygues Bâtiment International concerning the handling of the Casablanca mosque claim continued to take effect in 2004.

2.6.3. With SCI des Travaux Publics du 90 avenue des Champs-Elysées

The agreement concluded on 10 September 2003 with SCI des Travaux Publics du 90, avenue des Champs-Elysées (represented by the FNTP) in the context of the sale by Bouygues of its offices on the Champs-Elysées, with deferred transfer of use, continued to take effect in 2004.

Bouygues was invoiced €724,878 excl. tax and VAT in respect of the occupation of these premises in 2004.

Paris La Défense, 2 March 2005

The Auditors

Ernst & Young Audit
Jean-Claude Lomberget

Mazars & Guérard
Michel Rosse

Auditors' special report on authorisations to increase the capital and to issue transferable securities giving access to shares in the company with or without cancellation of preferential subscription rights

Annual General Meeting of 28 April 2005 (10th, 12th, 13th, 15th and 16th resolutions)

Ladies and Gentlemen,

In our capacity as auditors of Bouygues and in performance of the duties set forth in Articles L.225-135, L.228-92, and L.228-93 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, enabling it for a period of 26 months from the date of this meeting to cancel the preferential subscription right (12th resolution) and to increase the capital and issue transferable securities giving access to shares in the company while maintaining the preferential subscription right (10th resolution), on one or more occasions, as well as on the terms of the application of such capital increases as described in the 13th, 15th and 16th resolutions.

On the basis of its report, your Board of Directors has asked you, pursuant to Article L.225-129-2 of the Commercial Code, to delegate to it your capacity to decide on capital increases to be carried out and proposes in the 12th resolution the cancellation of your preferential subscription right.

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 shares or transferable securities giving access to shares in the company to be issued and, if applicable, with the cancellation of the preferential subscription right.

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 12th resolution of the Board of Directors' report.

As the issue price for equity securities to be issued, if applicable, has not been fixed, we express no opinion on the final conditions under which the issue(s) is (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 the transactions submitted to you for approval.

Pursuant to Articles L.225-136 of the Commercial Code and 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, 16 March 2005

The Auditors

Ernst & Young Audit
Jean-Claude Lomberget

Mazars & Guérard
Michel Rosse

Auditors' special report on authorisations to set the issue price for public offers, without preferential subscription rights, of shares or transferable securities giving access to shares in the company, up to a maximum of 10% of capital

Annual General Meeting of 28 April 2005 (14th resolution)

Ladies and Gentlemen,

In our capacity as auditors of Bouygues and in performance of the duties set forth in Article L.225-136, paragraph 1 of the Commercial Code, we hereby submit our report on the authorisations requested by your Board of Directors, enabling it for a period of 26 months from the date of this meeting to set the issue price for shares or transferable securities giving access to shares, up to a maximum of 10% of capital, subject to adoption of the 12th resolution at your Annual Meeting.

Your Board of Directors has asked you to grant it powers to depart from the conditions relating to price setting as provided by the 12th resolution and to set the issue price for shares and/or transferable securities to be issued by a public offer, without 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 shares or transferable securities giving access to shares in the company to be issued with the cancellation of the preferential subscription right.

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 price for equity securities to be issued, if applicable, has not been fixed, we express no opinion on the final conditions under which the issue is carried out and consequently on the proposed cancellation of the preferential subscription right, though the principle of such cancellation is in keeping with the rationale of the transactions submitted to you for approval.

Pursuant to Articles L.225-136 of the Commercial Code and 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, 16 March 2005

The Auditors

Ernst & Young Audit	**Mazars & Guérard**
Jean-Claude Lomberget	Michel Rosse

Auditors' special report on capital increases reserved for employees who are members of a corporate savings plan

Annual General Meeting of 28 April 2005 (17th resolution)

Ladies and Gentlemen,

In our capacity as auditors of your company and pursuant to the provisions of Article L.225-138 of the Commercial Code, we hereby submit our report on the authorisations requested by your Board of Directors, enabling it to carry out one or more capital increases up to a maximum of 10% of the share capital on the date of the decision by issuing shares reserved for Bouygues employees and employees of French or foreign affiliates who are members of a corporate savings plan, a transaction which you are asked to approve.

Your approval is required for such capital increase pursuant to Article L.225-129-6 of the Commercial Code and L.443-5 of the Labour Code.

Your Board of Directors has asked you to grant it powers that will enable it, within a period of 26 months, to carry out one or more capital increases under the restrictive conditions set forth above.

Your Board of Directors has also proposed the cancellation of your 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 price for equity securities to be issued has not been fixed, we express no opinion on the final conditions under which the issue is carried out and consequently on the proposed cancellation of the preferential subscription right, though the principle of such cancellation is in keeping with the rationale 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 carries out these transactions.

Paris La Défense, 16 March 2005

The Auditors

Ernst & Young Audit	**Mazars & Guérard**
Jean-Claude Lomberget	Michel Rosse

Auditors' special report on capital increases consequent to the issue by a Bouygues subsidiary of transferable securities giving access to shares in the company, with cancellation of preferential subscription rights

Annual General Meeting of 28 April 2005
(18th resolution)

Ladies and Gentlemen,

In our capacity as auditors of your company and in performance of the duties set forth in Articles L.225-135 and L.225-92 of the Commercial Code, we hereby submit our report on the planned capital increase consequent to the issue by a Bouygues subsidiary of transferable securities giving access to shares in the company, a transaction which you are asked to approve.

On the basis of its report, your Board of Directors has asked you to grant it responsibility, for a period of 26 months, for deciding the terms and conditions of this transaction and proposes the cancellation of your preferential subscription right.

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.

Without prejudice to subsequent review of the conditions for the proposed capital increase, 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 price has not been fixed, we express no opinion on the final conditions under which the capital increase is carried out and consequently on the proposed cancellation of the preferential subscription right, though the principle of such cancellation is in keeping with the rationale of the transaction submitted to your 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 carries out the capital increase.

Paris La Défense, 16 March 2005

The Auditors

Ernst & Young Audit	**Mazars & Guérard**
Jean-Claude Lomberget	Michel Rosse

Auditors' special report on the allocation of bonus shares, existing or to be issued to corporate officers and employees

Annual General Meeting of 28 April 2005
(19th resolution)

Ladies and Gentlemen,

In our capacity as auditors of your company and in performance of the duties set forth in Article L.225-197-1 of the Commercial Code, we hereby submit our report on the planned allocation of bonus share existing to certain employees and/or corporate officers of the company or companies or consortia affiliated to it within the meaning of Article L.225-198-2 of the Commercial Code.

Your Board of Directors has asked you to grant it authorisation to allocate bonus shares existing or to be issued. It is the Board's responsibility to draw up a report on the transaction with which it wishes to proceed. It is our responsibility to impart to you, if necessary, our comments on the information given to you on the proposed transaction.

In the absence of professional standards applicable to this transaction, as the result of a legal provision of 30 December 2004, we have taken the steps we consider necessary to verify that the proposed terms and conditions comply with the provisions laid down in the law.

We have no comment to make on the information given in the Board of Directors' report on the proposed bonus share issue.

Paris La Défense, 16 March 2005

The Auditors

Ernst & Young Audit	**Mazars & Guérard**
Jean-Claude Lomberget	Michel Rosse

Auditors' special report on the award of stock options to corporate officers and employees of the company or Group companies

Annual General Meeting of 28 April 2005 (20th resolution)

Ladies and Gentlemen,

In our capacity as auditors of Bouygues and in performance of the duties set forth in Article L.225-177 of the Commercial Code and Article 174-19 of the decree of 23 March 1967, we hereby submit our report on the award of stock options to corporate officers and employees of the company or Group companies.

It is the Board of Directors' responsibility to draw up a report on the reasons for awarding 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, 16 March 2005

The Auditors

Ernst & Young Audit	**Mazars & Guérard**
Jean-Claude Lomberget	Michel Rosse

Auditors' special report on authorisations to create or issue transferable securities giving entitlement to the allocation of debt securities

Annual General Meeting of 28 April 2005 (21st resolution)

Ladies and Gentlemen,

In our capacity as auditors of Bouygues and in performance of the duties set forth in Article L.228-92 of the Commercial Code, we hereby submit our report on the authorisation requested by your Board of Directors enabling it for a period of 26 months from the date of this meeting to issue or create, on one or more occasions, transferable securities giving entitlement to the allocation of debt securities.

On the basis of its report, your Board of Directors has asked you, pursuant to article L.225-129-2 of the Commercial Code, to delegate to it your capacity to decide on the creation and issuance of transferable securities giving entitlement to the allocation of debt securities.

We have taken the steps we consider necessary to verify the content of the Board of Directors' report relating to this transaction. The Board's report does not state the characteristics of the transferable securities giving entitlement to the allocation of debt securities, the terms and conditions for the allocation of the debt securities to which these transferable securities give the right or the dates when these rights may be exercised. Consequently, we have no comment to make on the final conditions of the issue.

In accordance with Article 155-2 of the decree of 23 March 1967, we shall draw up a supplementary report when the Board of Directors carries out the transactions.

Paris La Défense, 16 March 2005

The Auditors

Ernst & Young Audit	**Mazars & Guérard**
Jean-Claude Lomberget	Michel Rosse

Auditors' report on the reduction of share capital by the cancellation of shares

Annual General Meeting of 28 April 2005 (22nd resolution)

Ladies and Gentlemen,

In our capacity as auditors of Bouygues and in performance of the duties set forth in Article L.225-209, paragraph 5 of the Commercial Code in the event of a reduction of capital by cancellation of repurchased shares, we have prepared this report to inform you of our assessment of the reasons for and conditions of the proposed transaction.

We have conducted our assignment in accordance with the prevailing standards of the profession in France and have duly assessed the lawful nature of the reasons for and conditions of the capital reduction.

The transaction is planned in the context of the company's repurchase of its own shares, up to 10% of the capital, under the conditions set forth in Article L.225-209, paragraph 5 of the Commercial Code. You are asked to approve the authorisation at your Annual General Meeting. Should you do so, it will be valid for 18 months.

Your Board asks you to give it all powers, for an 18-month period, to cancel shares bought under the terms of the various authorisations allowing your company to buy back its own shares, up to a limit of 10% of the capital per 24-month period.

We have no comment to make on the reasons for and conditions of the envisaged capital reduction, bearing in mind that this transaction can be carried out only if your Annual Meeting previously approves the company's repurchase of its own shares.

Paris La Défense, 16 March 2005

The Auditors

Ernst & Young Audit
Jean-Claude Lomberget

Mazars & Guérard
Michel Rosse

Auditors' special report on issues of preference shares and transferable securities giving access to non-voting preference shares having the same rights as investment certificates

Annual General Meeting of 28 April 2005 (24th resolution)

Ladies and Gentlemen,

In our capacity as auditors of your company and in performance of the duties set forth in Articles L.228-12 and L.228-92 of the Commercial Code, we have prepared this report on the proposed issue to holders of investment certificates of non-voting preference shares having the same rights as investment certificates.

Subject to adoption of the 23rd resolution, your Board of Directors has asked you, pursuant to Article L.225-129-2 of the Commercial Code, to delegate to it your capacity to decide, within a period of 18 months, on the issue to holders of investment certificates of preference shares and transferable securities giving access to preference shares without voting rights and bestowing the same rights as investment certificates.

In the absence of professional standards applicable to this transaction, as the result of the provisions of ordinance 2004-604 of 24 June 2004 and of decree 2005-112 of 10 February 2005, we have taken the steps we consider necessary to verify that the proposed terms and conditions comply with the provisions laid down in the law and in the decree.

Without prejudice to subsequent review of the conditions for the proposed issue, we have no comment to make on the method for determining the price of preference shares and transferable securities giving access to preference shares to be issued set forth in the Board of Directors' report.

As the issue price for preference shares to be issued, if applicable, has not been fixed, we express no opinion on the final conditions under which the issue is carried out.

In accordance with Article 155-2 of the decree of 23 March 1967, we shall draw up a supplementary report when the Board of Directors carries out the transactions.

Paris La Défense, 16 March 2005

The Auditors

Ernst & Young Audit
Jean-Claude Lomberget

Mazars & Guérard
Michel Rosse

Draft resolutions

1. Ordinary part

FIRST RESOLUTION

(Approval of the parent company accounts for 2004 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 2004, the Chairman's report attached to the business report, the auditors' general report on the accounts for the year and the auditors' report on the Chairman's report, approves the parent company accounts at 31 December 2004 as presented, showing net profit of €585,890,337.74, and the transactions recorded in the accounts or summarised in the reports.

The Annual Meeting gives the directors full discharge for performance of their duties in 2004.

SECOND RESOLUTION

(Approval of the consolidated financial statements for 2004)

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 2004, the Chairman's report attached to the business report, the auditors' report on the consolidated financial statements and the auditors' report on the Chairman's report, approves the consolidated financial statements at 31 December 2004 as presented, showing net profit attributable to the Group of €858,113,000, and the transactions recorded in the accounts or summarised in the reports.

THIRD RESOLUTION

(Appropriation of earnings, amount of dividend)

The Annual Meeting, taking its decision under the quorum and majority voting conditions for ordinary shareholders' meetings, having acquainted itself with the Board of Directors' annual report and noting that distributable earnings amount to €628,343,867.62, decides:

- to appropriate €2,871,169.00 to the special long-term capital gains reserve,
- to appropriate €100,000,000 to the "Other reserves" account,
- to distribute a first net dividend (5% of par) of €0.05 per share or per investment certificate, representing a total amount of €16,637,931.20,
- to distribute an additional net dividend of €0.70 per share or per investment certificate of €1 par, representing a total amount of €232,931,036.80,
- to carry over the remainder in the amount of €275,903,730.62.

The dividend of €0.75 net per share and per investment certificate will be paid in cash from 4 May 2005.

Natural persons resident in France for tax purposes from 1 January 2005 will be eligible for 50% tax relief on the dividend, or €0.375 per share and per investment certificate.

No earnings other than the above-mentioned dividend, whether eligible or not for the 50% rebate mentioned at Article 158.3.2 of the General Tax Code, are distributed in respect of this Meeting.

Should the company hold some of its own stock when the dividend is distributed, the sum corresponding to the amount of dividend not paid because of the nature of such stock shall be allocated to retained earnings.

The Annual Meeting notes that the Board of Directors has fulfilled its statutory obligation to recapitulate the dividends distributed in the last three years and the related tax credits:

	2001	2002	2003
Number of shares	343,751,379	344,361,919	333,199,969
Dividend	€0.36	€0.36	€0.50
Tax creditl[1]	€0.18	€0.18	€0.25
Total dividend per share	€0.54	€0.54	€0.75
Total dividend	€122,306,699.16	€121,089,514.32	€166,423,811.00

(1) on the basis of a 50% rate

FOURTH RESOLUTION

(Transfer from the special long-term capital gains reserve to the "Other reserves" account)

The Annual Meeting, taking its decision under the quorum and majority voting conditions for ordinary shareholders' meetings, having acquainted itself with the Board of Directors' annual report and having regard to the provisions of Article 39 IV of the Supplementary Finance Act 2004 (Act 2004-1485 of 30 December 2004), decides to transfer €200,000,000 (two hundred million euros) from the special long-term capital gains reserve standing at €383,615,274.88 to the "Other reserves" account.

Consequently the special long-term capital gains reserve stands at €183,615,274.88.

The Annual Meeting confers all powers on the Board of Directors to implement this resolution, accomplish all formalities, make all accounting entries and pay all taxes in connection herewith.

FIFTH RESOLUTION

(Agreements referred to 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.

SIXTH 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. Michel Rouger, residing at 36 rue André Breton, 91250 Saint-Germain Les Corbeil, expires on this day and renews his directorship for a three-year term expiring on conclusion of the annual meeting called to approve the accounts for 2007, subject to approval of the twenty-third resolution.

SEVENTH RESOLUTION

(Appointment of a director who is a member of the Supervisory Board of a mutual fund representing employees)

The Annual Meeting, taking its decision under the quorum and majority voting conditions for ordinary shareholders' meetings, appoints Mr. Thierry Jourdaine, residing at 9, boulevard Abel Cornaton, 91290 Arpajon, for a two-year term of office as director appointed from the members of the Supervisory Board of one of the employee mutual funds holding shares in the company.

His term of office will expire on conclusion of the annual meeting called to approve the accounts for 2006.

EIGHTH RESOLUTION

(Appointment of a director who is a member of the Supervisory Board of a mutual fund representing employees)

The Annual Meeting, taking its decision under the quorum and majority voting conditions for ordinary shareholders' meetings, appoints Mr. Jean-Michel Gras, residing at 60 rue Lamennais, 92370 Chaville, for a two-year term of office as director appointed from the members of the Supervisory Board of one of the employee mutual funds holding shares in the company.

His term of office will expire on conclusion of the annual meeting called to approve the accounts for 2006.

NINTH 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, authorises the Board of Directors, with the option of delegating its powers, to cause the company to buy its own shares or investment certificates in compliance with the prevailing laws and regulations at the time it does so, and in particular in compliance with the conditions and obligations set forth at Articles L.225-209 to L.225-212 of the Commercial Code, in Commission Regulation (EC) No 2273/2003 of 22 December 2003 and at Articles 241-1 to 241-7 of the General Regulations of the Autorité des Marchés Financiers.

The purpose of the authorisation is to enable the company:

- to ensure the liquidity of and organise the market for the shares, through an investment service provider acting independently under the terms of a liquidity agreement that complies with a code of conduct recognised by the Autorité des Marchés Financiers;
- to remit shares on exercise of rights attached to transferable securities giving access to the company's capital;
- to keep shares with a view to using them subsequently for payment or exchange in the context of external growth transactions;
- to allocate shares to employees or corporate officers of the company or Group companies under the terms and conditions laid down by law, in particular in the framework of profit-sharing schemes, stock option schemes, corporate savings plans and inter-company savings schemes or by allocation of bonus shares;
- to cancel shares, subject to authorisation by the extraordinary shareholders' meeting;
- to implement any market practice accepted by the Autorité des Marchés Financiers and in general to carry out any other transaction that complies with the prevailing regulations.

Shares or investment certificates may be acquired in compliance with the prevailing regulations by all means, on or off the market, in particular by private contract, including by way of derivatives, and at any time, including during a tender offer or standing offer. There is no limit on the part of the programme that may be carried out by block trading, which may account for the entire programme.

Shares acquired may be sold under the conditions set by the Autorité des Marchés Financiers in its instruction of 17 March 2005 relating to the application of the share buy-back system.

In the context of this authorisation, the company may acquire its own shares or investment certificates on or off the market, complying with the following limits:

- ta maximum purchase price of €60 per share or investment certificate,
- ta minimum sale price of €25 per share or investment certificate,

subject to any adjustments relating to transactions involving the share capital.

The maximum amount of funds earmarked for the programme to buy back shares and investment certificates shall be €1,000,000,000 (one billion euros). The total number of shares and investment certificates held may not exceed 10% of the share capital.

With a view to availing itself of the present authorisation, the Board of Directors is granted all powers, especially to assess whether it is appropriate to begin a buy-back programme and to decide the terms and conditions thereof. The Board may delegate such powers so as to place all stock market orders, conclude all agreements, in particular with a view to keeping registers of purchases and sales of shares, make all declarations to the Autorité des Marchés Financiers or any other body, accomplish all other formalities and in general do all that is necessary.

The Board, in its report to the Annual General Meeting, will provide shareholders with information about any purchases, transfers, disposals or cancellations of shares carried out in this way.

This authorisation is given for eighteen months from the date of this meeting.

It invalidates, for the unused part, any previous authorisation having the same purpose.

2. Extraordinary part

TENTH RESOLUTION

(Delegation of powers to the Board of Directors to increase the capital, preserving the preferential subscription right, by issuing ordinary shares or transferable securities giving access to ordinary shares in the company or in a company of which it owns more than half the capital)

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 in accordance with Articles L.225-129-2, L.228-92 and L.228-93 of the Commercial Code:

1. delegates to the Board of Directors, with the option of subdelegating to any person authorised by law, its powers to decide, in such proportions, at such times and under such terms as it may deem appropriate, to increase the share capital on one or more occasions, maintaining shareholders' preferential subscription right, in France or elsewhere, in euros or foreign currency or any other monetary unit established with reference to several currencies, by issuing (i) ordinary shares in the company, or (ii) all transferable securities of whatever kind, for valuable consideration or free of charge, giving access by all means, immediately or in the future, at any time or at a given date, to ordinary shares, existing or to be issued, in the company or in a company of which it directly or indirectly owns half the capital (a "Subsidiary"), for subscription either in cash or by the offsetting of claims;

2. decides that the total nominal amount of capital increases for cash that may be carried out immediately or in the future under the terms of this delegation may not exceed €150,000,000 (one hundred and fifty million euros), to which total shall be added as appropriate the nominal amount of additional shares to be issued in order to comply with the statutory requirement to preserve the rights of holders of transferable securities giving entitlement to ordinary shares in the company, given that this overall limit on capital increases is common to the twelfth, thirteenth, fourteenth, fifteenth, sixteenth and eighteenth resolutions and that the total nominal amount of capital increases carried out under the terms of these resolutions will be set against such overall limit;

3. decides that the transferable securities giving access to ordinary shares in the company or in a Subsidiary issued in this way may consist of debt securities or be associated with the issue of such securities or enable such securities to be issued as intermediate securities. They may be subordinated or not, fixed-term or not, and be issued in euros or foreign currency or any other monetary unit established with reference to several currencies.

The nominal amount of debt securities issued in this way may not exceed €5,000,000,000 (five billion euros) or the equivalent value in euros at the date the issue is decided, given that such amount does not include redemption premiums over par, if any. This amount is common to all debt securities that may be issued under the terms of the twelfth, fifteenth and sixteenth resolutions put to this meeting; it is independent of and separate from the amount of transferable securities giving entitlement to the allocation of debt securities issued on the basis of the twenty-first resolution and the amount of debt securities whose issuance might be decided or authorised by the Board of Directors pursuant to Article L.228-40 of the Commercial Code. The securities (giving access to ordinary shares in the company or in a Subsidiary) may bear interest (which may be capitalised) at a fixed or floating rate; they may be redeemed with or without a premium or amortised or purchased on the market or be the subject of a tender offer from the company;

4. if the Board of Directors avails itself of this authorisation, decides that:

a. shareholders shall have an irreducible preferential right, in proportion to the amount of their shares, to subscribe the ordinary shares and transferable securities issued under the terms of this resolution and investment certificate holders shall have an irreducible preferential right to subscribe non-voting preference shares having the same characteristics as investment certificates and, as appropriate, transferable securities giving immediate or future access to non-voting preference shares having the same characteristics as investment certificates;

b. the Board of Directors may also confer on shareholders and investment certificate holders a reducible subscription right to be exercised in proportion to their rights and within the limit of their applications;

c. if the entire amount of ordinary shares or transferable securities issued under the terms of this delegation of powers is not taken up by irreducible and, where relevant, reducible subscriptions, the Board may avail itself, in such order as it shall decide, of one or more of the following options:

- it may limit the issue to the amount subscribed, provided that such amount represents at least three-quarters of the previously decided issue;
- it may freely distribute all or some of the unsubscribed securities;
- it may offer all or some of the unsubscribed securities to the public on the French or international or foreign market;

5. grants the present powers for twenty-six months;

6. notes that this delegation invalidates any previous delegation having the same purpose from this day and for the unused part, if any;

7. notes that this delegation entails a waiver by shareholders of their preferential right to subscribe the ordinary shares in the company to which transferable securities issued on the basis of this delegation may give entitlement;

8. notes that investment certificate holders, at a special meeting on this day, have also noted that this delegation entails a waiver of their preferential right to subscribe the non-voting preference shares having the same rights as investment certificates to which transferable securities issued on the basis of this delegation may give entitlement;

9. decides that the Board of Directors shall determine the characteristics, amount and terms of any issue and of the securities issued. In particular, it shall determine the category of securities issued and, taking account of the information contained in its report, their subscription price, with or without premium, the terms of payment, the date as of which they bear interest or dividend, which may be retroactive, the terms under which transferable securities issued on the basis of this resolution give access to ordinary shares in the company or in a Subsidiary and the conditions under which, in accordance with the legal rules that apply, the allocation right of holders of transferable securities giving access to ordinary shares may be temporarily suspended.

The Board of Directors shall have all powers to implement this delegation, including by concluding any agreement to that end, in particular with a view to completing any issue, to make the above-mentioned issues on one or more occasions, in such proportion and at such times as it may deem appropriate, in France or elsewhere or on the international market – and, as appropriate, to postpone such issue –, to note completion of the issue and amend the by-laws accordingly and to accomplish all formalities, make all declarations and request all authorisations that may prove necessary to the satisfactory conduct and completion of such issues.

ELEVENTH RESOLUTION

(Delegation of powers to the Board of Directors to increase the share capital by incorporating premiums, reserves or earnings)

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 in accordance with Articles L.225-129-2 and L.225-130 of the Commercial Code:

1. delegates to the Board of Directors, with the option of subdelegating to any person authorised by law, its powers to decide, in such proportions, at such times and under such terms as it may deem appropriate, to increase the share capital on one or more occasions by successively or simultaneously incorporating premiums, reserves, earnings or other sums into the capital, where such incorporation is allowed by law and the company's by-laws, by allocating bonus shares or by raising the par value of existing shares or both;

decides that the total nominal amount of capital increases made under the terms of this resolution may not exceed €4,000,000,000 (four billion euros), given that the additional amount of ordinary shares in the company to be issued in order to comply with the statutory requirement to preserve the rights of holders of transferable securities giving entitlement to ordinary shares in the company shall, where relevant, be added to this limit. The limit set forth in this delegation is independent of and separate from the overall limit stipulated in the tenth resolution above;

should the Board of Directors avail itself of this delegation, decides in accordance with the provisions of Article L.225-130 of the Commercial Code that if the capital increase takes the form of an allocation of bonus shares, fractional rights shall be neither negotiable nor transferable, the corresponding shares shall be sold and the amounts resulting from such sale shall be allocated to the holders of such rights within the time limits set forth in the regulations;

2. grants the present powers for twenty-six months;

3. notes that this delegation invalidates any previous delegation having the same purpose from this day and for the unused part, if any;

4. notes that if this delegation is used, non-voting preference shares having the same characteristics as investment certificates will be created and remitted free of charge to investment certificate holders in proportion to the number of new shares allocated to old shares, unless they waive their rights in favour of all holders or some of them only;

5. decides that the Board of Directors shall have all powers to implement the present delegation and in general to take all measures and accomplish all formalities required to carry out each capital increase, note completion thereof and amend the by-laws accordingly.

TWELFTH RESOLUTION

(Delegation of powers to the Board of Directors to increase the capital, cancelling the preferential subscription right, by issuing ordinary shares or transferable securities giving access to ordinary shares in the company or in a company of which it owns more than half the capital)

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 in accordance with Articles L.225-129-2, L.225-135, L.225-136, L.228-92 and L.228-93 of the Commercial Code:

1. delegates to the Board of Directors, with the option of subdelegating to any person authorised by law, its powers to decide, in such proportions, at such times and under such terms as it may deem appropriate, to increase the share capital on one or more occasions, cancelling shareholders' preferential subscription right, in France or elsewhere, in euros or foreign currency or any other monetary unit established with reference to several currencies, by issuing (i) ordinary shares in the company, or (ii) all transferable securities of whatever kind, for valuable consideration or free of charge, giving access by all means, immediately or in the future, at any time or at a given date, to ordinary shares, existing or to be issued, in the company or in a company of which it directly or indirectly owns half the capital (a "Subsidiary"), for subscription either in cash or by the offsetting of claims;

2. decides that the total nominal amount of capital increases for cash that may be carried out immediately or in the future under the terms of this delegation may not exceed €150,000,000 (one hundred and fifty million euros), to which total shall be added as appropriate the nominal amount of additional shares to be issued in order to comply with the statutory requirement to preserve the rights of holders of transferable securities giving entitlement to ordinary shares in the company, such amount being set against the overall limit stipulated in the tenth resolution;

3. decides that the transferable securities giving access to ordinary shares in the company or in a Subsidiary issued in this way may consist of debt securities or be associated with the issue of such securities or enable such securities to be issued as intermediate securities. They may be subordinated or not, fixed-term or not, and be issued in euros or foreign currency or any other monetary unit established with reference to several currencies.

The nominal amount of debt securities issued in this way may not exceed €5,000,000,000 (five billion euros) or the equivalent value in euros at the date the issue is decided, such amount being set against the limit stipulated in the tenth resolution, given that such amount does not include redemption premiums over par, if any; it is independent of and separate from the amount of transferable securities giving entitlement to the allocation of debt securities issued on the basis of the twenty-first resolution and the amount of debt securities whose issuance might be decided or authorised by the Board of Directors pursuant to Article L.228-40 of the Commercial Code. The securities (giving access to ordinary shares in the company or in a Subsidiary) may bear interest (which may be capitalised) at a fixed or floating rate; they may be redeemed with or without a premium or amortised or purchased on the market or be the subject of a tender offer from the company;

4. decides to cancel the shareholders' preferential right to subscribe such securities issued in compliance with the law and to confer on the Board of Directors the power to grant shareholders an irreducible and/or reducible priority right to subscribe them pursuant to Article L.225-135 of the Commercial Code. If the entire amount of the issue is not taken up by subscriptions, including where relevant those of shareholders, the Board of Directors may limit the amount of the issue under the conditions provided by law;

5. notes that this delegation entails a waiver by shareholders of their preferential right to subscribe the ordinary shares in the company to which transferable securities issued on the basis of this delegation may give entitlement;

6. decides that the Board of Directors shall determine the characteristics, amount and terms of any issue and of the securities issued. In particular, it shall determine the category of securities issued and, taking account of the information contained in its report, their subscription price, with or without premium, the terms of payment, the date as of which they bear interest or dividend, which may be retroactive, and where relevant the duration, or the terms under which transferable securities issued on the basis of this resolution give access to ordinary shares in the company or in a Subsidiary, in accordance with the prevailing legislation, and the conditions under which, in accordance with the legal rules that apply, the allocation right of holders of transferable securities giving access to ordinary shares may be temporarily suspended, given that the issue price of ordinary shares and transferable securities shall be such that the sum received immediately by the company or, in the event of issuance of transferable securities giving access to the ordinary shares of a Subsidiary, by the Subsidiary, plus where relevant the sum that may be received subsequently by the company or the Subsidiary as the case may be, is, for each ordinary share issued, at least equal to the statutory minimum amount;

7. grants the present powers for twenty-six months;

8. notes that this delegation invalidates any previous delegation having the same purpose from this day and for the unused part, if any;

9. notes that investment certificate holders, at a special meeting on this day, have expressly waived their preferential right to subscribe the transferable securities to be issued in favour of investment certificate holders as required by law if the present delegation is used and have noted that such delegation also entails a waiver by them of the non-voting preference shares having the same rights as investment certificates to which the transferable securities that would be issued under the terms of this resolution would give entitlement if the investment certificate holders did not give such waiver;

10. decides that the Board of Directors shall have all powers to implement this delegation, including by concluding any agreement to that end, in particular with a view to completing any issue, to make the above-mentioned issues on one or more occasions, in such proportion and at such times as it may deem appropriate, in France or elsewhere or on the international market – and, as appropriate, to postpone such issue –, to note completion of the issue and amend the by-laws accordingly and to accomplish all formalities, make all declarations and request all authorisations that may prove necessary to the satisfactory conduct and completion of such issues.

THIRTEENTH RESOLUTION

(Authorisation given to the Board of Directors to increase the number of securities to be issued in the event of a capital increase with or without preferential subscription rights)

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 in accordance with Article L.225-135-1 of the Commercial Code:

1. authorises the Board of Directors, with the option of subdelegating to any person authorised by law, to decide, for each issue decided pursuant to the tenth and twelfth resolutions above, to increase the number of securities to be issued, during a period of thirty days following closure of the subscription, up to a limit of 15% of the initial issue and at the same price as for the initial issue, subject to the overall limit stipulated in the resolution under the terms of which the issue is decided;

2. grants the present powers for twenty-six months.

FOURTEENTH RESOLUTION

(Authorisation given to the Board of Directors to set, under terms decided by the shareholders' meeting, the issue price for a public offering, without preferential subscription rights, of stock or transferable securities giving access to the capital, within the limit of 10% of the capital)

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 in accordance with Article L.225-136-1 of the Commercial Code, and insofar as the transferable securities to be issued immediately or in the future are treated in the same way as equity securities admitted to trading on a regulated market:

1. authorises the Board of Directors, with the option of subdelegating to any person authorised by law, for each issue decided pursuant to the twelfth resolution above and within the limit of 10% of the share capital (as it stands at the date of this meeting) in any twelve-month period, to derogate from the price-setting conditions stipulated in the twelfth resolution above and to set the issue price for equity securities and/or transferable securities to be issued by public offering without preferential subscription rights according to one of the following methods:

- an issue price equal to the average market price over a maximum period of six months preceding the issue,
- an issue price equal to the weighted average market price on the day before the issue (1-day VWAP) with a maximum discount of 20%.

The total amount of capital increases made under the resolution shall be set against the overall limit stipulated in the tenth resolution;

2. grants the present authorisation for twenty-six months;

3. decides that the Board of Directors shall have all powers to implement the present resolution under the conditions set forth in the twelfth resolution.

FIFTEENTH RESOLUTION

(Delegation of powers to the Board of Directors to carry out a capital increase with a view to remunerating contributions in kind consisting of a company's stock or transferable securities giving access to the capital)

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 in accordance with Article L.225-147 of the Commercial Code:

1. delegates to the Board of Directors, with the option of subdelegating to any person authorised by law, its powers to issue, on the report from the statutory appraiser mentioned at paragraphs 1 and 2 of Article L.225-147 aforesaid, ordinary shares in the company or transferable securities giving access by all means, immediately or in the future, to ordinary shares in the company, existing or to be issued, with a view to remunerating contributions in kind to the company consisting of equity securities or transferable securities giving access to the capital, when the provisions of Article L.225-148 of the Commercial Code do not apply;

2. decides that the maximum nominal amount of capital increases, immediate or deferred, resulting from all issues carried out under the terms of this delegation shall be 10% of the share capital (as it stands at the date of this meeting), given that the amount of capital increases made under the terms of this resolution shall be set against the overall limit stipulated in the tenth resolution;

3. notes that this delegation entails a waiver by shareholders of their preferential right to subscribe the ordinary shares in the company to which transferable securities issued on the basis of this delegation may give entitlement; notes that, in accordance with the law, investment certificate holders have no preferential right of subscription to non-vot-

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preference shares having the same rights as investment certificates if ordinary shares are issued under this delegation of powers or, if transferable securities giving access to ordinary shares are issued, to transferable securities giving access under the same conditions to non-voting preference shares having the same rights as investment certificates;

4. decides that the Board of Directors shall have all powers to implement the present delegation, and in particular to decide, on the report from the statutory appraiser(s) mentioned at paragraphs 1 and 2 of Article L.225-147 aforesaid, on the valuation of the contributions and the granting of particular advantages, to note completion of capital increases carried out under the terms of this delegation, to amend the by-laws accordingly, to accomplish all formalities and make all declarations and apply for all authorisations that may prove necessary to the accomplishment of such contributions, and to stipulate the terms under which the allocation right of holders of transferable securities giving access to ordinary shares shall be temporarily suspended in accordance with the prevailing rules;

5. grants the present powers for twenty-six months;

6. notes that this delegation invalidates any previous delegation having the same purpose from this day and for the unused part, if any.

SIXTEENTH RESOLUTION

(Delegation of powers to the Board of Directors to increase the capital, without preferential subscription rights, in order to remunerate securities tendered in the event of an exchange offer)

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 in accordance with Articles L.225-129-2, L.225-148 and L.228-92 of the Commercial Code:

1. delegates to the Board of Directors, with the option of delegating such powers to any person authorised by law, its powers to decide, on the basis and under the conditions of the twelfth resolution above, to issue ordinary shares in the company or transferable securities giving access by all means, immediately or in the future, to ordinary shares in the company, existing or to be issued, in remuneration of securities tendered in the context of an exchange offer initiated in France or elsewhere, under local rules, by the company for the securities of a company whose shares are admitted to trading on a regulated market as set forth at Article L.225-148 of the Commercial Code.

The amount of capital increases made under this resolution shall be set against the overall limit stipulated in the tenth resolution;

2. notes that this delegation entails a waiver by shareholders of their preferential right to subscribe the ordinary shares in the company to which transferable securities issued on the basis of this delegation may give entitlement;

3. decides that the Board of Directors shall have all powers to carry out the tender offers referred to in this resolution and in particular:

- to set the exchange parity and, where relevant, the amount of the cash balance to be paid;
- to note the number of securities tendered;
- to determine the dates and terms of issue, in particular the price and date as of which they bear dividend or interest, of the new ordinary shares or, where relevant, the transferable securities giving immediate or future access to ordinary shares in the company;
- to determine the conditions under which the allocation right of holders of transferable securities giving access to ordinary shares shall be temporarily suspended in accordance with the legal rules that apply;
- to post the difference between the issue price of the new ordinary shares and their par value to a "Share premium" account on the liabilities side of the balance sheet to which the rights of all shareholders shall relate;
- where relevant, to charge all expenses and fees incurred in connection with the authorised transactions to such "Share premium" account;
- in general to take all appropriate measures and conclude all agreements to complete the authorised transaction, to note the resulting capital increase(s) and to amend the by-laws accordingly;

4. grants the present powers for twenty-six months;

5. notes that this delegation invalidates any previous delegation having the same purpose from this day and for the unused part, if any;

6. notes that, in accordance with the law, investment certificate holders have no preferential right of subscription to non-voting preference shares having the same rights as investment certificates if ordinary shares are issued under this delegation of powers or, if transferable securities giving access to ordinary shares are issued, to transferable securities giving access under the same conditions to non-voting preference shares having the same rights as investment certificates.

SEVENTEENTH RESOLUTION

(Delegation of powers to the Board of Directors to increase the capital in favour of employees of the company or of Group companies who are members of a corporate savings plan)

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 in accordance with Articles L.225-129-6 and L.225-138-1 of the Commercial Code and Article L.443-1 et seq. of the Labour Code:

1. delegates to the Board of Directors its powers to decide, at its own discretion, in such proportion and at such times as it may deem appropriate, one or more capital increases, up to a limit of 10% of the company's share capital on the day on which it takes its decision, by issuing new shares payable in cash and, where relevant, by incorporating reserves, earnings or premiums into the capital and by allocating bonus shares or other securities giving access to the capital under the conditions set by law; decides that the limit of this delegation is independent of and separate from the limit stipulated in the tenth resolution and that the amount of capital increases resulting from it shall not be set against such limit or the limit stipulated in the eleventh resolution or the limit stipulated in the nineteenth resolution;

2. reserves subscription of all the shares to be issued to Bouygues employees and employees of French or foreign companies affiliated to it within the meaning of the prevailing legislation who belong to a corporate savings plan or a savings plan common to several companies;

3. decides that the subscription price of the new shares set by the Board of Directors in accordance with the provisions of Article L.443-5 of the Labour Code 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 Eurolist by Euronext™ market on the twenty trading days preceding the day of the Board's decision setting the opening date for subscription;

4. decides that this resolution entails cancellation of shareholders' preferential subscription right in favour of the employees for whom the capital increase is reserved and waiver of all rights to shares or other securities giving access to capital allocated free of charge on the basis of this resolution; it notes that, in accordance with the provisions of Article L.228-34 of the Commercial Code, investment certificate holders have no preferential right of subscription to non-voting preference shares having the same rights as investment certificates if ordinary shares are issued under this delegation of powers or, if transferable securities giving access to ordinary shares are issued, to transferable securities giving immediate or future access to non-voting preference shares having the same rights as investment certificates;

5. delegates all powers to the Board of Directors:

- to decide the date and terms of issues carried out under the terms of this resolution; in particular, to decide whether the shares are subscribed directly or through a mutual fund or another entity in accordance with the prevailing legislation; to decide and set the terms and conditions for allocating bonus shares or other securities giving access to the capital, under the terms of the authorisation given above; to decide 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 bear dividend, 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;
- to note capital increases in the amount of the shares actually subscribed;
- to accomplish all transactions and formalities, directly or by proxy;
- to amend the by-laws in accordance with capital increases;
- to charge expenses incurred in connection with capital increases to the amount of the premium relating to each increase and deduct from such amount the necessary sums to raise the legal reserve to one tenth of the new capital after each increase;
- and in general to do whatever is necessary.

The Board of Directors may, within limits that it has set beforehand, delegate the powers conferred on it by this resolution to the Chief Executive Officer or, with his consent, to one or more Deputy CEOs;

6. grants the present powers for twenty-six months;

7. notes that this delegation invalidates any previous delegation having the same purpose from this day and for the unused part, if any.

EIGHTEENTH RESOLUTION

(Delegation of powers to the Board of Directors to issue shares following the issuance by a Bouygues subsidiary of transferable securities giving immediate or future access to shares in the company)

The Annual Meeting, 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 in accordance with Articles L.125-129-2, L.228-92 and L.228-93 of the Commercial Code:

1. delegates to the Board of Directors, with the option of subdelegating to any person authorised by law, in the context of the twelfth resolution above, its powers to decide to issue ordinary shares in the company to which transferable securities issued by any company of which Bouygues directly or indirectly owns more than half the capital (the "Subsidiaries") may give entitlement and expressly authorises the resulting capital increase or increases.

Such transferable securities shall be issued by the Subsidiaries with the consent of the company's board of directors and may, pursuant to Article L.228-93 of the Commercial Code, give access by all means, immediately or in the future, to ordinary shares in the company; they may be issued on one or more occasions, in France, on foreign markets or on the international market.

This resolution entails a waiver by shareholders in favour of the holders of the transferable securities that may be issued by the Subsidiaries of their preferential right to subscribe the ordinary shares to which the above-mentioned transferable securities issued by the Subsidiaries may give entitlement;

2. notes that the company's shareholders do not have a preferential right to subscribe the above-mentioned transferable securities issued by the Subsidiaries. It notes that investment certificate holders, at a special meeting on this day, have expressly waived their preferential right to subscribe the non-voting preference shares having the same rights as investment certificates to which the transferable securities issued by the Subsidiaries could give entitlement should they not waive their preferential subscription right, given that the special meeting of investment certificate holders has also noted that they have no preferential right to subscribe the transferable securities issued by the Subsidiaries in this way;

The maximum nominal amount of any increase in the company's capital resulting from all issues made under the terms of this delegation is the same as the limit stipulated in the twelfth resolution and is set against the overall limit stipulated in the tenth resolution above.

In all events, the amount of the sum that is paid to the company on issue or that may be paid at a later date shall be, in accordance with the provisions of the twelfth resolution, for each ordinary share issued as a result of the issuance of such transferable securities, at least equal to the minimum amount set forth in the prevailing laws and regulations at the time the present delegation is used, adjusted if necessary to take account of any difference in the date as of which they bear dividend;

3. decides that the Board of Directors shall have all powers to implement this resolution, in agreement with the board of directors, executive committee or other management or executive bodies of the Subsidiaries issuing the shares, in particular to set the amounts to be issued, determine the conditions of issue and the category of the transferable securities to be issued, decide the date as of which the securities to be created bear interest or dividend, which may be retroactive, and in general take all measures and conclude all agreements to complete the planned issues, in compliance with the French and, where relevant, foreign laws and regulations that apply. The Board of Directors shall have all powers to make the necessary amendments to the by-laws resulting from use of this delegation, in accordance with the terms of its report to this Meeting;

4. grants the present powers for twenty-six months;

5. notes that this delegation invalidates any previous delegation having the same purpose.

NINETEENTH RESOLUTION

(Authorisation given to the Board of Directors to allocate bonus shares, existing or to be issued, to salaried employees and corporate officers of the company or the Group or certain categories of them)

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 in accordance with Articles L.225-197-1 et seq. of the Commercial Code:

1. authorises the Board of Directors on one or more occasions to allocate bonus shares in the company, existing or to be issued, to the beneficiaries set forth below;

2. decides that the beneficiaries of the shares, who shall be designated by the Board of Directors, may be salaried employees (or certain categories of them) and/or corporate officers (or some of them) of Bouygues or of companies or consortia affiliated to it within the meaning of Article L.225-197-2 of the Commercial Code;

3. decides that in respect of this authorisation, the Board of Directors may allocate no more than 10% of the company's capital (as it stands at the time it takes its decision) and that the amount of the capital increase resulting from the issuance of shares is independent of and separate from and shall not be set against the limit stipulated in the seventeenth resolution or the limit stipulated in the eleventh resolution or the overall limit stipulated in the tenth resolution;

4. decides that the allocation of shares to their beneficiaries shall become final only after they have been held for at least two years;

5. decides that the beneficiaries must keep the bonus shares for at least two years as of the final allocation date;

6. authorises the Board of Directors to use the authorisations given by the shareholders' meeting in accordance with the provisions of Articles L.225-208 and L.225-209 of the Commercial Code;

7. notes and decides, as necessary, that this authorisation entails a waiver by the shareholders in favour of those to whom the bonus shares are allocated of their preferential right to subscribe the ordinary shares that are issued as allocation of the shares becomes final and of any right to the ordinary shares allocated free of charge on the basis of this authorisation;

8. decides that the Board of Directors shall have all powers to implement this authorisation in accordance with the prevailing laws and regulations, and in particular to:

- decide the conditions and, where relevant, the criteria for allocating the shares, existing or to be issued, and to determine the list or categories of beneficiaries of the shares;
- to set the length of service conditions that the beneficiaries must meet;
- to provide for the option of temporarily suspending allocation rights;
- to set all other terms and conditions under which the shares are allocated;
- to accomplish or cause others to accomplish all acts and formalities to buy back shares and/or to make final any capital increase or increases carried out under the terms of this authorisation, to amend the by-laws accordingly and in general to do all that is necessary, with the option of sub-delegating its powers under the conditions provided by law;

9. grants this authorisation for thirty-eight months from the date of this meeting;

10. notes that this authorisation invalidates any previous authorisation having the same purpose from this day and for the unused part, if any;

11. notes that investment certificate holders, at a special meeting on this day, have expressly waived their preferential right to subscribe non-voting preference shares having the same rights as investment certificates if new ordinary shares are allocated free of charge under the terms of this resolution.

TWENTIETH RESOLUTION

(Authorisation given to the Board of Directors to award 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:

1. authorises the Board, pursuant to the provisions of Articles L.225-177 to L.225-186 of the Commercial Code, to award 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;

2. decides that the beneficiaries of such options shall be:

- employees or certain employees or certain categories of employees,
- the corporate officers as defined by law,

of both Bouygues and companies or consortia directly or indirectly affiliated to it under the terms of Article L.225-180 of the Commercial Code;

3. decides that the total number of options thus awarded 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;

4. decides that the period within which such options may be exercised may not exceed seven years as of the date on which they are awarded;

5. decides, in the case of options to subscribe new shares, that the price at which beneficiaries may subscribe shall be determined by the Board of Directors on the day on which the options are awarded, which price may not be less than 95% of the average of the first listed price of the share on the Eurolist by Euronext™ market on the twenty trading days preceding the day on which the options are awarded;

6. decides, in the case of options to buy existing shares, that the price at which beneficiaries may buy the shares shall be determined by the Board on the day on which the options are awarded, which price may not be less than 95% of the average of the first listed price of the share on the Eurolist by Euronext™ market on the twenty trading days preceding the day on which the options are awarded 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;

7. decides that no option may be awarded less than twenty trading days after a dividend right or preferential right to subscribe a capital increase has been detached from the shares, or during a period of ten trading days before and after the date on which the consolidated financial statements or, failing that, the annual accounts are published;

8. notes that pursuant to Article L.225-178 of the Commercial Code, this authorisation constitutes an express waiver by shareholders and investment certificate holders 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;

9. delegates all powers to the Board of Directors to determine the other terms and conditions for awarding and exercising options, and in particular:

- to determine the conditions under which options will be awarded and to decide the list or categories of beneficiaries as set forth above; where relevant, to determine the length of service conditions that the beneficiaries of such options must meet; to decide the necessary measures to protect the interests of beneficiaries of the options in accordance with the prevailing laws and regulations, especially in 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,
- temporarily to suspend the exercise of options in accordance with the provisions of Article L.225-149-1 of the Commercial Code,
- to accomplish or cause others to accomplish all acts and formalities in order to make final any capital increase or increases carried out under the terms of 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 expenses incurred in connection with 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 share capital after each increase;

10. grants this authorisation for twenty-eight months;

11. notes that this authorisation invalidates any previous authorisation having the same purpose;

12. notes that investment certificate holders, at a special meeting on this day, have expressly waived their preferential right to buy or subscribe non-voting preference shares having the same rights as investment certificates if options respectively to buy or subscribe ordinary shares are awarded under the terms of this resolution.

TWENTY-FIRST RESOLUTION

(Delegation of powers to the Board of Directors to issue all transferable securities giving entitlement to the allocation of debt 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 the auditors' special report and in accordance with Articles L.225-129-2 to L.225-129-6, L.228-91 and L.228-92 of the Commercial Code:

1. delegates to the Board of Directors, with the option of subdelegating to any person authorised by law, powers to decide at its own discretion, on one or more occasions, up to a maximum nominal amount of €5,000,000,000 (five billion euros) or the equivalent value of that amount, to create and issue, in France or elsewhere, all transferable securities giving entitlement to the allocation, immediately or in the future, of debt securities such as bonds, similar securities, subordinated securities, fixed-term or not, and all other securities conferring in the same issue a same right of claim on the company, denominated in euros or foreign currency or any other monetary unit established with reference to several currencies, with or without guarantee, in the form of mortgage security or in some other form, in such proportions and forms and at such times and rates and under such terms of issue and amortisation that it may deem appropriate;

2. confers all powers on the Board of Directors to carry out such issues and states that it shall have all latitude to determine the conditions thereof and decide all the characteristics of the transferable securities and debt securities concerned, given that they may bear interest at a fixed or floating rate and include a fixed or variable redemption premium over par, such premium being in addition to the above-mentioned maximum amount of €5,000,000,000 (five billion euros), given that the above-mentioned maximum nominal amount shall apply to the debt securities to which the transferable securities issued under the terms of this delegation would give entitlement; to decide according to market conditions the terms for amortisation and/or early redemption of the transferable securities to be issued and of the debt securities to allocation of which such transferable securities would give entitlement, where relevant, with a fixed or variable premium, or even for repurchase by the company, if appropriate; to decide to confer a guarantee or security interest on the transferable securities to be issued and on the debt securities to allocation of which such transferable securities would give entitlement, and to decide the nature and characteristics thereof;

3. grants the present powers for twenty-six months;

4. notes that this delegation invalidates any previous delegation having the same purpose.

TWENTY-SECOND RESOLUTION:

(Authorisation given to the Board of Directors to reduce the share capital by cancelling treasury stock)

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:

1. authorises the Board of Directors, in accordance with the provisions of Article L.225-209 of the Commercial Code, to cancel, at its own discretion, on one or more occasions, all or some of the shares in the company acquired by exercise of the various authorisations to buy back shares granted to the Board by the shareholders' meeting, up to a limit of 10% of the authorised capital per 24-month period;

2. authorises the Board of Directors to charge the difference between the purchase value and the par value of cancelled shares to premiums and available reserves;

3. delegates to the Board of Directors, with the option of subdelegating under the conditions provided by law, all powers to carry out the capital reduction or reductions following the cancellation of shares as authorised by this resolution, cause the corresponding accounting entries to be made, amend the by-laws accordingly and in general accomplish all the necessary formalities;

4. grants the present authorisation for eighteen months;

5. notes that this authorisation invalidates any previous authorisation having the same purpose.

TWENTY-THIRD RESOLUTION

(Amendment of the by-laws)

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, decides to amend the by-laws as follows:

1. Four new paragraphs are added to Article 7 "Share Capital" of the by-laws, reading as follows:

"In the event of a capital increase for cash or free distribution of shares, except where otherwise provided by law and unless investment certificate holders waive their preferential subscription right under the conditions provided by law, new non-voting preference shares having the same rights as investment certificates shall be issued in such number as to preserve the proportion between ordinary shares and investment certificates that existed before the increase, taking account of such preference shares after the increase, assuming that, if the capital increase is for cash, it will be carried out in full.

Such non-voting preference shares shall have the same characteristics as the shares issued on the occasion of the capital increase mentioned in the preceding paragraph.

Should all investment certificates and voting right certificates be reconstituted as shares in the company, the voting right would be automatically restored to the said preference shares. They would then be automatically converted into ordinary shares, or where relevant into preference shares having the same rights as the shares issued in the context of the capital increase that led to the above-mentioned issue.

In the event of an issue for cash or free distribution of transferable securities giving immediate or future access to the capital, new transferable securities giving immediate or future access to non-voting preference shares under the same conditions shall be issued in favour of investment certificate holders."

3. The first three paragraphs of Article 8.2 "Identification of stockholders" are amended as follows:

Old wording

"In order to identify the holders of bearer shares, the company is entitled, in accordance with the conditions set forth in the prevailing laws and regulations, to ask at any time and at its own cost the organisation responsible for clearing securities, as the case may be, for the name or company name, nationality, year of birth or formation and address of the holders of securities conferring immediately or at a later date the right to vote at its stockholder' meetings, the number of securities held by each one and any restrictions there may be on such securities.

On sight of the list provided to the company by the organisation responsible for clearing securities, the company may ask either the organisation responsible for clearing securities or the persons on the list directly, when the company considers that they could be included on it in their capacity as intermediaries acting on behalf of third parties who own securities, for the information set forth in the preceding paragraph concerning the owners of the securities.

The persons concerned, if they are intermediaries, shall be required to disclose the identity of the owners of the securities. The information shall be provided directly to the authorised financial intermediary holding the account, which shall communicate the information to the company issuing the securities or to the clearing organisation as the case may be."

New wording

"In order to identify the holders of bearer shares, the company is entitled, in accordance with the conditions set forth in the prevailing laws and regulations, to ask at any time and at its own cost the central depository that keeps the securities issue account (hereinafter the "central depository"), as the case may be, for the name or company name, nationality, year of birth or formation and address of the holders of securities conferring immediately or at a later date the right to vote at its stockholder' meetings, the number of securities held by each one and any restrictions there may be on such securities.

On sight of the list provided to the company by the central depository, the company may ask either the central depository or the persons on the list directly, when the company considers that they could be included on it in their capacity as intermediaries acting on behalf of third parties who own securities, for the information set forth in the preceding paragraph concerning the owners of the securities.

The persons concerned, if they are intermediaries, shall be required to disclose the identity of the owners of the securities. The information shall be provided directly to the authorised financial intermediary holding the account, which shall communicate the information to the company issuing the securities or to the central depository as the case may be."

3. The first paragraph of Article 13.2 is amended as follows:

Old wording

"13.2 The term of office of directors appointed by the stockholders' meeting from among the stockholders shall be six years, ending on conclusion of the annual meeting held in the year in which their term of office expires."

New wording

"13.2 The term of office of directors appointed by the stockholders' meeting from among the stockholders shall be three years, ending on conclusion of the annual meeting held in the year in which their term of office expires. However, the term of office of sitting directors at the date of the ordinary stockholders' meeting on 28 April 2005 shall be six years."

TWENTY-FOURTH RESOLUTION

(Delegation of powers to the Board of Directors to issue non-voting preference shares having the same rights as investment certificates)

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 in accordance with Articles L.225-129-2, L.228-12 et seq., L.228-91 and L.228-92 of the Commercial Code, and subject to approval of the twenty-third resolution:

1. delegates to the Board of Directors, with the option of subdelegating to any person authorised by law, powers to decide the issuance in favour of investment certificate holders of (i) non-voting preference shares having the same rights as investment certificates and (ii) all transferable securities of whatever kind, issued for valuable consideration or free of charge, giving access by all means, immediately or in the future, to non-voting preference shares having the same rights as investment certificates, and the buy-back and conversion, under the conditions set forth at Article 7 of the by-laws, by virtue of the twenty-third resolution above, of non-voting preference shares having the same rights as investment certificates, up to a maximum nominal amount of €10,000,000 (ten million euros), given that the nominal amount of all preference shares issued under the terms of this delegation may not exceed 25% of the share capital;

2. decides in accordance with Article 7 of the by-laws as amended that the non-voting preference shares and the transferable securities giving immediate or future access to the above-mentioned non-voting preference shares shall have the same characteristics as the issued transferable securities that led to their issue and shall be issued under the same terms and conditions, subject to a possible discount linked to the estimated value of the voting right;

3. decides that the transferable securities giving access to non-voting preference shares having the same characteristics as investment certificates issued in this way may consist of debt securities or be associated with the issue of such securities or enable such securities to be issued as intermediate securities. In particular, they may be subordinated or not, fixed-term or not, and be issued in euros or foreign currency or any other monetary unit established with reference to several currencies.

The nominal amount of debt securities issued in this way may not exceed €10,000,000 (ten million euros) or the equivalent value in euros at the date the issue is decided, given that such amount does not include redemption premiums over par, if any. This amount is independent of and separate from the amount of debt securities, the issuance of which is provided for by the twelfth, fifteenth, sixteenth and twenty-first resolutions put to this meeting; it is also independent of and separate from the amount of debt securities whose issuance might be decided or authorised by the Board of Directors pursuant to Article L.228-40 of the Commercial Code. The securities (giving access to non-voting preference shares having the same characteristics as investment certificates) may bear interest (which may be capitalised) at a fixed or floating rate; they may be redeemed with or without a premium or amortised or purchased on the market or be the subject of a tender offer from the company;

4. decides that the Board of Directors shall have all powers to implement this delegation, including by concluding any agreement to that end, in particular with a view to completing any issue, to make the above-mentioned issues on one or more occasions, in such proportion and at such times as it may deem appropriate, in France or elsewhere or on the international market – and, as appropriate, to postpone such issue –, to note completion of the issue and amend the by-laws accordingly and to accomplish all formalities, make all declarations and request all authorisations that may prove necessary to the satisfactory conduct and completion of such issues;

5. grants the present powers for eighteen months and notes that this authorisation invalidates any previous authorisation having the same purpose.

TWENTY-FIFTH 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 accurately reflects the true situation and provides investors with all the information they need 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

AUDITORS' OPINION ON THE FINANCIAL REVIEW

In our capacity as Bouygues SA's auditors and pursuant to Article 211-5-2 in Book II of the General Regulations of the Autorité des Marchés Financiers, 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 the Chairman and CEO of Bouygues SA. 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.

The projections contained in this Financial Review correspond to management objectives, not to isolated forecasts prepared in a structured manner.

The parent company accounts and consolidated financial statements for the years ended 31 December 2004, 2003 and 2002 were closed by the Board, in accordance with French accounting rules and principles, and audited:

- for 2002 by SFA Fournet et Associés and Mazars et Guérard,
- for 2003 and 2004 by us in accordance with the prevailing standards of the profession in France.

The parent company accounts and the consolidated financial statements for 2002 and the parent company accounts for 2003 were certified without reserve or comment.

The consolidated financial statements for the year ended 31 December 2003 were certified without reserve but with a comment drawing attention to a point in the notes relating to a change of accounting method during the year resulting from implementation of recommendation CNC 2003-R01 on the accounting treatment of pension commitments and similar benefits.

We have certified the parent company accounts for the year ended 31 December 2004 without reserve but with a comment drawing attention to a point in the notes relating to a change of accounting method during the year resulting from the constitution of a first-time provision for long-service awards booked in 2004.

We have certified the consolidated financial statements for the year ended 31 December 2004 without reserve but with a comment drawing attention to a point in the notes relating to a change of accounting method during the year resulting from the constitution of a first-time provision for Bouygues Telecom's customer retention programmes booked in 2004 pursuant to Notice CNC 2004-E of 13 October 2004.

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.

Paris La Défense, 11 April 2005
The Auditors

Ernst & Young Audit
Jean-Claude Lomberget

Mazars & Guérard
Michel Rosse

NB: *This Financial Review contains:*

- *the auditors' general report and report on the consolidated financial statements as at 31 December 2004 (respectively at pages 142 and 143) justifying their opinion, in accordance with the provisions of Article L.225-235 of the Commercial Code;*
- *the auditors' report prepared in accordance with the provisions of the last paragraph of Article L.225-235 of the Commercial Code (at page 144) on the Chairman of the Board of Directors' report on internal control procedures relating to the preparation and treatment of accounting and financial information.*

Cover photo: Challenger, headquarters of the Bouygues group at Saint Quentin en Yvelines
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